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KAYSONE SPEECH TO SUPREME PEOPLE'S COUNCIL

Parts Three, Four

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[Part three and concluding part four of Premier Kaysone Phomvihane's report to the 26 December annual regular session of the Supreme People's Council in Vientiane; parts I, II published in 18 January Asia & Pacific DAILY REPORT--recorded]

[Text] Part Three: Some major tasks to be implemented in 1980.

To guarantee the fulfillment of the directions and duties mentioned earlier, in 1980 it will necessary to effectively carry out some major tasks as follows:

1. The tasks of national defense and maintenance of tranquillity.

Our Lao people are assigned by history to fight in the same trench as the Vietnamese and Kampuchean peoples against the common enemies to defend the forefront of the socialist revolution in Southeast Asia. This specific historic condition requires that we closely combine economic construction with national defense, closely combine national construction with national defense, and strengthen solidarity with Vietnam and Kampuchea as well as with the Soviet Union, other socialist countries and various revolutionary forces and forces for peace in the world. This is our posture of strength that must be promoted and expanded. It is also our strategic duty.

The strengthening of national defense and the maintenance of tranquillity in the country are two major tasks. The National Defense Ministry and the Interior Ministry must have a detailed plan on the building of forces and on resistance against the enemies. They must firmly grasp the attitude in national defense and maintenance of tranquillity toward the entire people.

These tasks have been carried out under the very special historic conditions in which we are facing dangerous enemies who maintain a close alliance with various imperialist forces and other reactionaries as well as with the exiled reactionaries and reactionary remnants in the country. The enemies have colluded in implementing many subtle, brutal schemes and tricks in the economic, political, military, cultural, ideological and other fields. They have combined schemes of spying war and psychological warfare with schemes aimed at disrupting the unity in the country and at sowing division between Laos, Vietnam and Kampuchea. They have misled and bought off Lao cadres into serving them while infiltrating in our offices, organizations, enterprises and mass organizations with a view to sabotaging, destroying and controlling the economy, creating disturbances, inciting uprisings, carrying out assassinations and subversive activities in the country, putting pressure on and weakening our country in order to proceed to swallowing up our country in the end.

The struggle between ourselves and the enemies for the defense and building of the country is a complicated, protracted, all-round and furious struggle. This struggle requires that we study and firmly grasp rules of enemy activities. It requires that we promote and expand the overall strength of the party, of the administration, of our various mass organizations, of the three types of armed forces, of the unique solidarity among the various nationalities in the Lao social community, of the solidarity of the three nations of Laos, Vietnam and Kampuchea, and of the rear and frontline in the economic, political, military, cultural and ideological fields.

The social system of our country is a collective mastership system of our people. The people take control in the economic and political fields as well as in the fields of national defense and the maintenance of tranquillity.

The intensification of national defense and the maintenance of tranquillity in the country are aimed at maintaining the economic and political interests of the people, and are both in the interests of the people and an obligation. Therefore, all levels, all branches, various armed forces, **peacekeeping** forces, and cadres and combatants must respect the people's right to ownership and must pay attention to helping the people solve various problems in their spiritual and material life. On this basis they must help promote and expand the people's right to collective mastership, build a foundation for the administration to be worthy of the motto that they genuinely come from the people, serve the people and belong to the people. They must also pay attention to educating, training and organizing the people to be conscious of carrying out the tasks of defending the country and maintaining tranquillity.

Only by so doing can the true nature of the **Revolutionary Army** be promoted and expanded, can the forces be built and strengthened, can the enemies be searched and found, can enemy schemes and tricks be firmly grasped, can the enemies be wiped out, and can their vicious schemes and tricks be smashed.

If on the contrary the people's rights to collective mastery are not respected, if attention is not paid to solving various problems in the political and economic life of the people, and if power and authority are intentionally abused to violate the people's rights to ownership and to encroach upon the people's interests, no matter how big or powerful the armed forces and **peacekeeping** forces are, **enemies cannot be defeated** and enemy schemes and tricks cannot be completely smashed.

It is therefore necessary to study enemy schemes and tricks; firmly grasp rules of enemy activities as well as enemy strategy and tactics; clearly point out those schemes and tricks to the people; educate, train and organize the people to carry out the task of defending our economic and political foundations; maintain vigilance against the enemy's subtle, brutal and varied schemes and tricks and against the enemy's psychological warfare, subversive activities, economic sabotage activities, spying activities, divisive activities, and other acts of misleading and buying off cadres into serving them and search for, quickly pursue and annihilate the enemies.

It is also necessary to clearly understand that a war of national defense is different from a national liberation war. The present war is a national defense war. It is necessary, **therefore, to have** clear defense lines and areas. A plan must be adopted to set up the defense line and areas and to strengthen defense forces. A **draft plan** must be made to combine various armed forces with semi-armed forces in the fighting.

2. All methods must be used to normalize and develop production, carry out the circulation and distribution and effectively make use of economic **levers in order to** normalize the people's livelihood and put economic management work into order. All levels and all branches must inspect the implementation of the state plan for 1979 and lay out plans and duties for 1980. They must carefully make arrangement for regular inspection and stepping up of the implementation.

A. Regarding agricultural and forestry production

Agroscience clearly points out the principled relationships among soil, water, air, crops and domestic animals. We must study and appropriately apply these conditions to agricultural production in our country so as to rapidly develop crop cultivation and livestock breeding and to daily improve and transform the natural conditions of soil, water and air--endless resources for crops and domestic animals. If this rule of nature is violated, not only can crop cultivation and livestock breeding not be developed, but the natural environment will also be damaged--soil will become arid, water sources will dry up and the atmosphere will be unnaturally changed.

Inspecting various factors for agricultural production in our country such as soil, water, weather, crops and domestic animals, we see that our country has a vast area for agricultural purposes and has abundant natural resources which have not yet been exploited. We also have the and Bolovens Plateau vast areas covered with forests. In the forests, there are many types of valuable products.

There are also many rivers and waterways in our country. In some areas, there are water resources which are very favorable for agricultural work. The climate also creates favorable conditions for crops of many types.

With these conditions we have sufficient capabilities to develop agriculture comprehensively--cultivation of various types of crops, animal husbandry and processing of agricultural products. We can coordinate agricultural development with forestry development, meet the food consumption requirements of our people, provide raw materials for industry and handicrafts, make agriculture and forestry a foundation for industrial development, build an elementary industrial-agricultural-forestry structure in various localities, develop agriculture in all respects, and develop crop cultivation, animal husbandry and forestry work into a foundation for industrial development. All this is our strategic economic duty.

Our country possesses several special conditions favorable to agricultural development in numerous forms and various aspects, including planting of food crops, industrial trees and fruit trees with food crops as the primary item, simultaneously carrying out crop cultivation and livestock raising to turn the latter into a primary branch of food production, and closely coordinating crop cultivation, livestock raising and forestry development.

The forestry, crop cultivation and livestock sectors are closely interrelated. The crop cultivation sector produces animal feed for the livestock sector, and the livestock sector produces fertilizer and labor for crop cultivation. Forests are useful because they maintain clean air, humidity, and water sources, and create a favorable environment for developing crop cultivation.

Therefore, to develop crop cultivation, we must take measures to conserve and enrich forests. The destruction of forests, either by cutting down trees for the planting of cash crops or unscrupulously exploiting forest resources, has caused extensive damage to our agricultural production and natural resources. This practice must be stopped at once and for good.

In the meantime, we must enlarge the scope of the work of our meteorological and hydrographic stations in various districts and provinces along the Mekong River to meet the needs of agricultural production and irrigation projects.

In the crop cultivation sector, we have a plan and policy to develop agriculture in all respects by stressing the production of food as our primary aim. At the same time, we must step up the planting of industrial trees in order to produce raw materials for industry and export.

Regarding food production, we must have a plan to concentrate our capital, labor, materials, finances and technology on planting rice and to step up party leadership and assistance to state organizations and to farming areas where the soil is unfertile and production efficiency is very low. This is aimed at making our country self-sufficient in food production in a short period of time.

Each province must have a plan and methods to step up food production and to become totally self-sufficient in the next 2 or 3 years. This does not mean that each province must produce food from only one type of crop.

Each province must thoroughly survey the economic and natural conditions within the province itself, clearly define its strong points and strive to promote them so as to fulfill its duties in developing agricultural production in all respects, including planting food crops and industrial and fruit trees and raising livestock by stressing food production as the primary objective. If the province can produce surplus food, it may trade this food for other agricultural products, animal feed and industrial goods from other provinces. On the other hand, if a province is able to effectively grow industrial trees, coffee, cotton, tobacco or other cash crops, it may step up the planting of these crops to exchange for food from other provinces.

In producing foodstuffs, we must concentrate on growing glutinous rice and ordinary rice as a primary food crop. At the same time, we must regard it as equally important to grow more corn, sweet potatoes, cassava and beans.

Regarding the methods in developing agricultural production, we must closely coordinate efforts to establish agricultural cooperatives and build irrigation projects, and we must use the technical know-how of centralized agriculture, which progresses from an easier step to a more complicated one for example plowing ricefields with deep furrows, raking furrows into small bits of soil and planting rice in a timely manner, selecting good rice strains, destroying weeds and nourishing the soil with fertilizer.

Regarding the direction of production, all localities must study the economic conditions, soil and natural conditions, promote the strong points of each locality, and create certain areas for solely growing rice and industrial trees.

As for the method of guiding farmers to develop crop cultivation, we must select, build and promote certain outstanding collective and individual models in building irrigation projects, carrying out centralized agriculture, managing cooperatives, planting industrial trees and so forth, in order to further enhance their leading roles in their respective jobs. Then, a movement to further promote such achievements should be launched.

Regarding the method of promoting agricultural production, we must regard it as important to expand the flow of goods between cities and the countryside; increase the supply of industrial goods, agricultural tools, salt and textiles to farmers; and step up purchases of forest and farm products in accordance with the state purchase policy and the prices set on the basis of the worker-peasant alliance. This method is useful not only for promoting efforts to do away with the natural economy, to reclassify social work and to promote production of agricultural goods, but also for consolidating the worker-peasant alliance and building a new agroindustrial structure in each locality in the initial stage.

Because our agricultural production has been carried out in accordance with natural conditions, we must therefore regard the development of trade as most important so as to distribute currency and industrial goods to the countryside in order to do away with the natural economy, develop the production of goods in the countryside, promote the reclassification of social work in the countryside and encourage farmers to conduct research to enhance their capabilities and coordinate their labor with available natural conditions so as to produce more high-quality goods for a better life. Experience in the past several years has proved that such a plan, policy and methods are correct, and that if a locality is able to correctly implement these measures, production will be developed, the people's living conditions improved and the foundations of the administration and mass organizations consolidated. On the contrary, if a locality is unable to implement these measures, production will not be developed, the people will suffer numerous difficulties and the foundations of the administration and mass organizations will not be consolidated.

In the immediate future, all cantons, districts and provinces must review their past experiences in implementing plans for agricultural production, outline new plans and tasks for 1980, organize a thorough implementation of the above-mentioned measures together with periodic inspections, and pay attention to learning from 1979 lessons in mobilizing the people to set up agricultural cooperatives to prepare for the 1980 production season--for example, by preparing agricultural tools, selecting crop strains, building irrigation projects, growing crops in a timely manner, destroying weeds, using fertilizer, eradicating crop pests, dividing work and organizing labor in a proper manner, clearly defining the strong points of each locality and defining certain areas for solely growing rice and industrial trees. Efforts must be made to further popularize certain outstanding models in centralized rice growing, for example, in Hatsaifong District of Vientiane Province; in managing cooperatives, for example, in Souvannakhilli District of Champassak Province; in building irrigation projects; and in producing and utilizing fertilizer. Attention must be made to investing in fertilizer production and farm tools and to establishing an electricity network to serve agriculture.

Plans must be outlined to vigorously promote the growing of corn, first of all on an estimated 2,000 hectares of land in Veunkham agricultural settlement, in order to produce raw materials for the animal feed factory. An experiment in rice growing in accordance with the method of centralized agriculture was effectively carried out on an estimated 300 hectares of ricefields in Hatsaifong District with productivity rates ranging from 2.5 tons to over 5 tons per hectare. The technical know-how applied to this centralized agricultural project is very simple: Use good rice strains such as strains No 848 and No 253, grow rice in a timely manner, acquire adequate water supply, grow rice sprouts in narrower rows, nourish rice plants with fertilizer, and regularly get rid of weeds from the ricefields. With such technical know-how, any locality can fulfill its tasks. This lesson must be extensively popularized among our people.

Coffee is an important export commodity which has earned large revenues for our country. The Bolovens Plateau has favorable conditions for developing and expanding the planting of coffee. The Ministry of Agriculture, Irrigation and Forestry and the Champassak and Saravane provincial administrations should map out plans and measures to promote and encourage coffee planters to pay close attention to taking good care of coffee bushes, increasing their productivity, selling coffee beans to the state, enlarging the areas for planting coffee and turning Pak Song, Thateng and Lao Ngam into a coffee-only producing zone. In other suitable areas studies should be conducted and favorable conditions created for the people to grow coffee. The policy on the purchasing price of coffee beans must also be amended, to promote the planting of coffee and ensure that the state will be able to buy large quantities of coffee beans for export.

Efforts must be made urgently to study and implement various cooperation programs with the socialist countries, for example the GDR, in setting up coffee planting settlements in the Bolovens Plateau and mapping out a plan to set up tobacco-only producing areas in Vientiane and Houa Sai.

In the organizational aspect, we must consolidate and reorganize the leading organizations of agricultural production and cooperatives at the provincial and district levels, improve the agricultural research and experimental sector serving agricultural production as well as various experimental stations and centers, consolidate the organization and management of all state agricultural settlements by specifying the production direction and plan for each settlement, reexamine and take a new inventory of tools and auxiliary equipment for state agricultural production, and map out a plan for employing trucks, water pumps, new crop strains, chemical fertilizer and insecticides by concentrating this use on certain specialized rice growing or industrial tree-planting zones so as to insure high economic productivity.

In the policy aspect, we must amend the policy for purchasing forest products from the people, the policy of agricultural taxes, purchasing prices for various types of agricultural products, rent of farm tractors, selling prices of chemical fertilizer, farm tools and fuel oil on the basis of the worker-peasant alliance with a view to vigorously developing agricultural production in all respects.

The State Trade Service must expand its purchase network, promote the purchasing of goods, and guarantee the purchase of all agricultural and forest products from the people under a transaction method which will enable peasants to acquire industrial products from the state.

In the livestock-raising area, we must realize that animal husbandry and crop cultivation are closely related. Animal husbandry produces fertilizer for crop cultivation, while crop cultivation produces feed for animal husbandry. Our country is blessed with favorable conditions for simultaneously carrying out crop cultivation and animal husbandry and for developing animal husbandry into a primary enterprise closely associated with crop cultivation. We have a policy and plans to develop livestock breeding both in the state and private sectors, to raise cattle for farm labor and for meat and dairy products, and to raise small domestic animals and fish.

To promote livestock raising, we must have the following basic factors: source for producing feed for big and small animals, good stock, and precautionary measures against any animal pest. In the past, we paid close attention to breeding and maintaining good stock, giving vaccinations to livestock in every province, producing an adequate supply of medicine, promptly checking any animal pest and setting up a factory producing vaccines for animals, thereby dramatically increasing the number of domestic animals such as cattle and pigs.

Compared to 1978, for example, the number of buffalos increased from 682,106 to 729,245, cows from 372,587 to 444,623, and pigs from 686,000 to 842,885.

The state-run livestock enterprise is on the decline because we are unable to deal with the shortage of animal feed. In certain localities, cattle have been smuggled abroad or slaughtered in large numbers. In Vientiane alone, within a period of 3 months alone, 17,400 head of cattle were slaughtered. In 1980, attempts must be made to supply adequate raw materials to the animal feed producing factory, to amend purchase prices of corn and step up corn purchasing in Vientiane, to map out a plan defining corn growing and soya bean growing zones so as to produce raw materials for the animal feed producing factory, to train more veterinarians and extend the veterinary network down to the canton level, to provide good stock to various provinces so as to restore and develop state-run livestock breeding, to outline a policy on purchasing prices aimed at promoting livestock raising, and to halt the smuggling of cattle and pigs out of the country and massive slaughter of cattle.

Agricultural cooperatives must transfer to its collective from owners of a limited number of cattle essential only for farm work, but it must have a policy to allow those owners to buy back their animals or to pay the owners compensation for animal labor. Other kinds of animals will be raised as cottage industry. These animals will not be transferred into cooperative ownership.

As for irrigation, we must regard irrigation work as the first technical priority in developing agricultural production and increasing production efficiency and the number of crops per season. Regarding the direction in building irrigation facilities, we must coordinate the building of small irrigation projects with medium-size projects, stressing the first category as the primary objective. We must coordinate the building of temporary irrigation projects with permanent ones such as irrigation dikes, reservoirs, wells and irrigation canals, and coordinate the building of irrigation projects with hydroelectric projects. The state and private sector must cooperate with each other in building these projects by coordinating the revolutionary movement of the masses with technical guidance and material supply from the state.

During the past year, the movement to build irrigation projects was thoroughly and extensively developed. The total acreage of irrigated land increased by 15,000 hectares, while 17 more electric-powered water pumping stations were installed in the Vientiane plain. The pumping station at Veunkham was repaired, thereby bringing water to 4,950 additional hectares of farmland. The first stage of the construction of the Nam Souang irrigation project was accomplished, but a network of tributary canals to irrigate 5,100 hectares of bumper ricefields and 1,300 hectares of dry season ricefields has yet to be set up. Plans for expanding irrigation projects in Nam Houm and Nam Cheng in Vientiane and Houai Vanghe in Champassak Province have been mapped out.

Experience in the past several years shows that the plans and guidelines for the above-mentioned irrigation projects are correct. If a locality was able to correctly implement such plans and guidelines, only satisfactory results would ensue. However, it is unfortunate that certain localities are still unable to correctly apply these measures. Some have paid more attention to building small-size irrigation projects, but failed to build any medium-size irrigation projects and vice versa. The movement to build irrigation projects among the people continues to be developed, but the state has failed to provide technical and material assistance to them in a prompt manner. As a result, irrigation projects in certain areas have had to be abandoned or delayed, thus causing the masses to expend effort unnecessarily as well as having an adverse effect among them. In the coming year, we must continue building irrigation projects in accordance with the aforementioned guidelines by concentrating these projects in rice-growing areas. Further studies on building irrigation projects in Vientiane, Champassak and Savannakhet provinces should be conducted as well as studies on how to most effectively utilize Soviet, UN and Swedish financial assistance in purchasing irrigation equipment, installing more electric-powered water pumping stations, beginning construction of the planned irrigation projects, and expediting the construction of certain projects in rice-growing areas so that they will be of timely service to agricultural production in the coming production season.

As for forestry, our country is full of forest resources. This is our strength, and we must adopt an appropriate exploitation plan. It is also necessary for us to have a plan to protect, take care of and plant forests.

With regard to the conservation of forests, the government has already promulgated regulations on forest conservation and on the levels of forestry management. The forestry department has also adopted a plan to plant forests in some areas. In 1978, trees were planted on 450 hectares, and in the first half of 1979 trees were planted on 120 hectares while surveys were conducted on 652,900 hectares of forests. Regarding forest exploitation in the first 6 months of 1979, 96,000 cubic meters of timber were marked for exploitation and 30,000 cubic meters were cut.

Generally speaking, forest exploitation has been promoted in all localities. However, there still remain many shortcomings in carrying out the forestry work. Various localities have paid attention to forest exploitation, but they have paid no attention to educating and training the people on how to protect, take care of and plant forests. Regulations on the conservation of forests which have been promulgated by the government have not yet been widely publicized or implemented. No state organization responsible for the conservation of forests has been set up. This is why the forest conservation work has not been effectively carried out.

Regarding forestry management, the center and the localities have shared in managing the forestry. However, it is still not clearly established which parts of the forests are under the management and exploitation of localities. No regulations on the granting of permits for forest exploitation have been adopted. No policy on the private management of forest exploitation has been adopted either. As a result, the forests have been carelessly exploited, and resources have been seriously damaged. A number of localities in Vientiane Province have granted permission to foreign companies to directly carry out forestry exploitation.

Such action runs counter to the procedures and regulations. It has damaged our forestry resources and tarnished the reputation of some of our cadres and state employees. We must carry out the following tasks in the immediate future:

It is necessary to extensively disseminate among the people the regulations on the preservation of forests and, at the same time, train the ranks of cadres responsible for the task of preserving forests in various forested provinces and districts. Special attention must be paid to educating and training the people of various nationalities living in hilly and mountainous areas to clearly understand the usefulness of forests and the consequences of the destruction of forests. Everyone must understand that it takes only between 5 and 10 minutes to fell a tree, while it takes many years for a tree to grow. Upland crop cultivation yields only about 1 ton of rice per hectare a year. Prior to upland rice cultivation forests must be cleared, however, and the annual rate of growth of trees is 2 cubic meters per hectare. These trees are worth hundreds of dollars.

It is necessary to make everyone understand that forests are useful for maintaining soil dampness, preserving water, preventing floods and creating a healthy environment. To destroy forests is tantamount to destroying the environment, causing floods and destroying the country's rich natural resources. Meanwhile, methods must be adopted to help and encourage the people to plant rice in terraced ricefields, avoid burn cultivation, organize them to effectively collect forest products and raise animals and exchange forest products and animals for other food supplies.

As for the areas where slash-and-burn crop cultivation cannot be completely stopped, the administration at the canton level must clearly allocate land for upland crop cultivation, strictly control the burning of upland crop cultivation areas and prohibit indiscriminate burning which may cause forest fires. Plans must be mapped out to preserve forests and turn forested areas into jungles. Such plans must be carefully implemented. The task of forest management must be assigned between the central and local levels.

The Ministry of Agriculture, Forestry and Irrigation must clearly make known which forested areas are under the Central Forestry Management and Exploitation Branch and which ones are under that of each locality. It must also make clear which forested areas cannot be exploited, which areas need reforestation and which areas can be exploited. The ministry must clearly stipulate regulations on the application for and issuance of license for forest exploitation. It must clarify the position of the forestry branch, the industrial branch and the administration at the central and local levels in managing sawmills.

Regarding forest exploitation, the Ministry of Agriculture, Forestry and Irrigation must set up forest exploitation companies capable of making use of the machinery and equipment given as aid by Sweden. Such companies must have the ability to produce 500,000 cubic meters of wood a year and shall exploit forests in Vientiane and along Route 9 in coordination with Vietnam. In other areas, local companies should be assigned to organize the exploitation of forests. Attention must be paid to completely implementing central and local forest exploitation plans, from felling trees to timber distribution.

The state, from the central down to the local levels, has the monopoly right on exploiting forests. It may directly work on the exploitation or make use of private labor in exploiting forests for the state. Regarding the transportation and processing of timber, the policy of using private citizens to fulfill the agreements they have signed with the state forestry companies will be implemented. Farmers living in forested areas should be organized into units to handle forest business for the state. Labor wages for forest exploitation must be appropriately fixed in accordance with their forestry skills.

The state trading companies at the local level must offer appropriate prices for forest products, aimed at encouraging farmers to collect such products for sale to the state. Local capabilities in collecting the products must be promoted. Small merchants may be assigned to purchase the products for sale to the state. Various provinces have been authorized to export forest products in exchange for industrial goods essential to production and the local people's daily living.

We are currently only collecting forest products provided by nature. However, these natural products are not inexhaustible. For this reason, various provinces and regions must adopt plans and methods to promote the exploitation of forest products for export and, at the same time, encourage financial and labor investment in producing forest products such as by breeding lac insects and planting dammar, cardamom and other medicinal trees which have economic value. This is a direction for highly effective economic investment, which does not require a large sum of money for investment as in the case of forest exploitation and which can accumulate more money than forest exploitation does.

Regarding the collectivization of agriculture, to pave the way for the development of production forces and the improvement of party foundations, the administration and mass organizations in rural areas have had plans to set up agricultural cooperatives with emphasis on national defense and economy in accordance with the principles of collectivization set forth by Lenin.

This is a broad revolutionary mobilization in coordination with the three revolutions in rural areas. This is also a mobilization to reorganize labor forces, reclassify social work and truly revolutionize labor with the purpose of reassigning the labor forces of the society and increasing the efficiency of social work.

In 1979, such a mobilization was extensively launched in farming areas, thus encouraging 50 percent of peasant families to join cooperatives. Generally speaking, the movement has splendidly developed. Many outstanding examples have emerged. Yet, some localities have violated the principles of voluntariness, and put pressure on farmers in several forms, thus causing many examples of discouragement among them. Several cooperatives have not yet had production direction and their production and distribution management remains confused. Instructions have been issued on the settlement of this problem. In the coming year, it is necessary to continue improving cooperatives in both respects--economic and organizational--by reviewing basic lessons on the organization and management of cooperatives so as to seek outstanding examples, heighten the spirit of collective mastery among members of cooperatives and raise the level of the organization and management of cooperatives. The standardized principles for evaluating the work of cooperatives are as follows: Cooperatives should be classified into three categories--progressive, moderate and weak. This can be known by raising the questions: Has the production of a cooperative increased? Have the daily living standards of the members of a cooperative been improved or declined? Has the situation in rural areas undertaken changes in all respects?

The basic method for consolidating cooperatives is to boost the three revolutions--the production relations revolution, the scientific and technical revolution and the ideological and cultural revolution--effectively manage production and distribution, expand production forces and improve the living conditions of cooperative members. Regarding the progressive cooperatives, it is necessary to strengthen guidance and educate and turn them into the vanguard banner of the movement. Regarding the moderate cooperatives, it is necessary to assist them in their efforts to persistently advance so as to become provincial progressive cooperatives. Regarding the weak cooperatives, plans must be adopted to gradually improve them, gradually reduce the number of weak cooperatives and eventually prevent the existence of weak cooperatives.

The direction of our current collectivization task is to consolidate and develop cooperatives with the consolidation task serving as the main work. Cooperatives should be developed on the basis of the results of the consolidation work. The lessons gained should be based on the favorable effects of the movement of setting up cooperatives so that cooperatives can be developed in areas where favorable conditions prevail.

It is true that the scope of the agriculture cooperatives--which have just been set up in our country--covers all the farmland and labor of a whole village and that some of them cover farmlands and labor of a whole canton, but the production system of these cooperatives at present--as it will be in many years to come--is still not a large-scale production system. Basically, it remains a self-reliant, self-sufficient production system. The productive labor of the agricultural cooperative members has just been collectivized on a small scale only.

To take agricultural production to a large-scale production system, it is necessary to reorganize production and reorganize the division of labor on an even wider scale. Specific production areas must be set up for the planting of coffee, tobacco and so forth.

Livestock breeding must be turned into a basic branch separate from the cultivation branch. A new economic, agricultural, forestry and industrial structure must be achieved. By so doing the labor of cooperative members will be collectivized on a larger scale, and the labor of each cooperative member will become part of the whole labor in the society.

To take agricultural production step by step to large-scale production, it is necessary to appropriately adopt a production goal and lay out production plans for 1980 in accordance with the goal adopted. The production and the division of social labor must then be reorganized in conformity with the direction of the operations of different businesses and professions. The technical revolution must be brought into agriculture step by step, while intensive cultivation must be practiced and efficiency in planting crops must be daily increased. On the one hand, the supplementary education and cultural training movements must be vigorously stepped up. Attention must be paid to building and training technical and managerial cadres, and stepping up the provision of educational training for agricultural cooperative members so as to help them raise the level of their political awareness. Attention must be also paid to helping agricultural cooperative members promote and expand the spirit of collective mastership.

Regarding the management of the distribution of goods of the agricultural cooperatives, it is necessary to pay attention to correctly combining the principles of distribution in accordance with labor with insuring basic requirements. Attention must be paid to appropriately combining the interests of the state and those of the cooperatives and cooperative members. The policies on agricultural taxes, and on the purchasing and purchasing prices of agricultural products of various types must also be revised.

The cooperatives must not only pay attention to developing their own collective economy, but must also help cooperative members develop the reserve economy of their families under the condition that the families of the cooperative members must guarantee to fulfill their obligation for collective production labor.

The agricultural settlements of the state are agricultural enterprises which are state property. They maintain modern material and technical foundations and they take a guidance role in the socialist agricultural system which is made up of the agricultural settlements of the state, the agricultural mechanization and repair stations, and the agricultural cooperatives. The guidance role of the state agricultural settlements can be seen through the high level of their social characteristics and through the fact that they belong to the state, maintain a high level of mechanization, maintain a high level of working efficiency, and maintain a high rate of production of goods. Almost all goods produced by the agricultural settlements are for sale. The state agricultural settlements also maintain a high level of management organization, and they carry out model activities for agricultural cooperatives to follow.

The guidance direction on the setting up of agricultural settlements in our country is that the agricultural settlements must be set up step by step. Various branches and localities must set up agricultural settlements of a small size first and then a larger size. After being set up, the agricultural settlements must first use handicraft techniques. But, they must proceed to using mechanization techniques at an ever higher level. In the beginning, we did not learn any lessons, but in the process of establishing agricultural settlements we must try to learn lessons step by step in each field so as to consolidate, broaden and raise the level of techniques as well as the level of management of the agricultural settlements.

State agricultural settlements must be reorganized and their production objective must be clearly stipulated. Based on this, production must be reorganized; 1980 production plans must be adopted; and economic and technical methods must be sought to insure the success of the production plans. Regarding economic management, agricultural settlements should organize the drawing of lessons, set forth an appropriate management system and speed up the preparations for the construction of state agricultural settlements being built with the assistance given by various friendly countries.

In the industrial field, we have conducted a survey on the construction sites of factories and the installation of machines and have allocated sites for some factories such as glass, cement and coal factories. We have continued to survey salt mines in Savannakhet Province and completed the construction of the foundations of brick factories in Hat (Kieu). We have fulfilled the electricity production plan for the first half of 1979. However, other production plans have not been completely fulfilled. Generally speaking, less than 50 percent of the machines available for use in various factories have been put into operation. Almost all factories have suffered losses; workers are not fully employed; there are many difficulties in the people's daily living; and discouragement has ensued.

The main causes of such a situation are: a timely supply of equipment, material and spare parts has not been insured; the classification of management between the central and local levels remains unclear; and the ownership of some factories has not yet been definitely clarified. Some factories apparently belong to the state, while they are in fact operated and controlled by their previous owners, who will accept profits and hold the state responsible for any loss. Almost all factory directors appointed by the state have had no management experience, and the enterprise management system has not yet been enforced.

In 1980, it is necessary to announce the enforcement of the socialist transformation policy toward private industries belonging to the capitalists and the management system governing state industrial enterprises. Any factory or enterprise belonging to the counterrevolutionaries shall be handed over to the state. Those factories or enterprises whose owners are absent will be temporarily managed by the state, handed over to workers and managed in a collective manner or leased to private citizens.

However, production has returned to normal in big factories or plants applying modern technique and having production direction in conformity with state plans. The ownership over the factories or enterprises representing joint investment with foreigners will be transferred to the state after compensation is paid. Such factories or enterprises may be jointly operated by the state and private citizens. The state must assign experienced management cadres to run the factories whose ownership has been transferred to the state or those handed over to the state by previous owners. In case there are no experienced management cadres, the state may hire local or foreign experts to handle the management task and pay them appropriate salaries. Regarding the enterprises operating in coordination with foreign countries, capable cadres will be appointed to join the construction work and will be trained to become construction management cadres and capable management cadres. The state will become shareholders together with the capitalists who do not have sufficient funds to expand the production and business of local enterprises which are directly involved with national interests. This is in line with the principles of sharing both profits and losses. The state will do the same thing to the enterprises producing important products. The same principles will be applied in this regard. The sharing of profits or losses is based on the amount of money invested by each side. The previous owners of such enterprises will continue to handle the management task, but the head of the accountants of the enterprises will be appointed by the state.

Concerning the system of managing state industrial enterprises, a management system suitable to the conditions in our country should be studied and implemented. This system must be constructed on the principle that the director of a state enterprise will be guaranteed sufficient authority in hiring workers, paying them salaries, and making trade transactions including with foreign countries to buy spare parts, machines, raw materials and equipment, to distribute and sell products and to acquire loans from banks including foreign currencies. The director must be responsible toward the state in insuring fulfillment of production plans and in paying taxes, profits and products to the state.

State enterprises will be given adequate funds and granted loans according to a planned timetable, including funds for investment and for circulation, so that they will be able to implement their plans. The state enterprises are entitled to utilize the machines and manpower to the fullest extent to produce surplus goods in addition to the quantity specified in the plans, and to sell those surplus goods in the markets. The state industrial enterprises must redefine their production direction to conform to the requirements of the state plans, map out production plans, finance plans and plans to acquire raw materials and equipment, and reorganize production, and have an economical technical method to guarantee the fulfillment of the plans and duties.

Regarding the reorganization of production, certain problems must be resolved. For example should the beer brewery and the soft drink factory be merged into one factory, or should they be separated? Should the 555-brand tobacco factory be merged with the Si Viangkham tobacco factory? How should production work be divided? Should saw mills be organized into a multi-enterprise? Trade unions must be set up in various enterprises. A system of allowing trade unions to co-manage enterprises must be implemented. The establishment of an industrial enterprise and the appointment of its director must be approved by the authorized higher levels, that is by a minister at the central level and by the provincial administrative committee chairman at the provincial level. State enterprises must be organized as sole legal bodies.

Efforts must be made to survey, prospect, plan and prepare to build and use the foundations for producing glass tubes, cement, machine tools and salt in Savannakhet and Vientiane, and for mining coal in Vangviang. The brick-producing foundation at Hat Sieu should be reactivated. The use of firewood for boiling liquid for producing salt should be gradually reduced. To produce a ton of salt, we must use 5 cubic meters of firewood. Solar energy or electricity should be used as a substitute for firewood. Plans should be mapped out to import spare parts, machines, raw materials and equipment essential for the 1980 industrial production in a timely manner.

Regarding handicrafts and small industry, under the condition that a country is advancing from small-scale production to large-scale socialist production, local industry, small industry, handicrafts and a number of local industrial enterprises will play a most important role. These local enterprises are useful not only in serving production and the people's living conditions, but also in reclassifying social work; they contribute to the emergence of a new economic structure in the initial stage, to the accumulation and building of capital, and to building the province into a strong key unit in the economic and national defense fronts. At the same time, they are also useful in consolidating the economic aspect of the worker-peasant alliance. Their usefulness is also shown their use of local raw materials and equipment for producing finished industrial goods, in their creation of sources of industrial goods for distribution in the countryside and their service of production and life in the countryside. They are useful to both production and life of the workers, and to both production and life of the peasants. They bring about the emergence of the structure of the new agricultural and industrial economy. The role of these local industries is a lasting one. Do not entertain any thought that our large and modern industries will be rapidly developed, thus rapidly eliminating local industries. In the USSR today, local industries produce more than half of the total industrial output.

Early in 1979 the Council of Ministers clearly stipulated that the objective in developing local industries, including small industries and handicrafts, is to develop the branches which use raw materials and equipment available in localities so as to serve production and the local people's living conditions, and to gradually form an agroindustrial structure in the localities.

To boost the development of local industries the State Trade Service must attentively assist local industries in correctly defining their production goals, supplying them with raw materials, and distributing and selling their products. It must also help them to make the technical transition from producing handmade handicrafts to producing semimechanized and mechanized handicrafts, to gradually increase work efficiency and to improve product quality. This is the most important and most effective method. If the State Trade Service fails to carry out this task, it will be difficult to develop small industries and handicrafts.

However, attention has not yet been paid to developing small industries and handicrafts in the various provinces where local industries are being operated, and the State Trade Service has not yet paid attention to boosting small industries and handicrafts. This is why small industries and handicrafts have not vigorously developed. On the contrary, various provinces are paying attention only to eliminating the foundations of private industries, turning them into state enterprises by appointing cadres to directly manage them and selecting workers to run these enterprises. Generally, these enterprises are small and technically backward, and their production does not conform to the line adopted by the Central Committee. Almost all such enterprises are facing difficulties with regard to the supply of raw materials and equipment, the distribution and sale of products, low-quality goods and high prices. This does not conform to consumer requirements. With regard to management, such enterprises are weak in this field and almost all the enterprises are suffering losses.

In 1980 it is necessary to announce the enforcement of the policy of promoting and developing small industries and handicrafts. The various industrial enterprises directly managed by the industrial and trade sectors in various provinces should correct the situation in accordance with the above line. Generally speaking, the enterprises should be leased to private citizens and managed by collective workers or cooperatives engaged in small industries and handicrafts.

Newly established state industries in localities and those being operated under private partnership must be built in accordance with the line adopted by the Central Committee which is aimed at meeting the requirements of production and of the local people's daily lives. Such industries are rice mills, noodle-processing factories, fish sauce and salted fish factories, cement, brick, salt, porcelain and glass factories, agricultural machinery and repair factories, starchy crop-processing factories and factories processing wood and rattan for export.

Attention must be paid to developing small industries and handicrafts using local raw materials and equipment and relying on local markets. The provincial industrial and trade sectors and trading companies must assist provincial small industries and handicrafts by adopting appropriate production objectives, by supplying them with raw materials, and by distributing and selling products through production contracts signed with the state. They should adopt policies on collecting scrap iron for reprocessing. They should pay attention to expanding art and handicraft occupations in conformity with the labor and material conditions in each locality. Such art and handicraft products are for export.

Expansion of these occupations is aimed at creating new jobs for the people on the one hand and at increasing local people's income on the other. Silkworm breeding, mulberry cultivation and weaving should be developed in parallel with technical transformation. It is necessary to obtain assistance from sister provinces in neighboring Vietnam in the organization of small industrial and handicraft production and production techniques.

C. The Field of Foundation Building [subhead lettering as heard]

The basic laws of a socialist economy require that minimum socialist production be carried out rapidly and on an ever-increasing scale. First and foremost, to fulfill this law it is necessary to step up the material and technical basis of small production. This means that more existing local property must be given to the national economy and that more labor tools and other material conditions for engaging in labor--such as machines and equipment, production tools, engineers' workshops and roads--must be provided or created.

Foundation building means carrying out minimum production on various local properties in the forms of building, expanding, restoring and repairing on a large scale. First and foremost it is necessary to build the lower structure which serves production--that is, roads, electricity, water, fields, ports, airfields and warehouses. It is also necessary to create preliminary conditions for building necessary industrial establishments--that is, electric power, metal smelting machines, chemical products and construction materials.

Since the building of the material and technical foundations of socialism is of special significance, the party Central Committee has adopted a plan and policy to begin building the foundation for the production of construction materials, to strengthen the construction force of the state, and to guarantee necessary capital. Implementing this plan and policy, the construction branch has strengthened the state construction force so that it can be used to build communications lines, agricultural settlements, irrigation projects and houses while it also lays out future plans. For instance, brick production factories have been set up. The Soviet specialists have also studied a plan to set up a cement plant in Vientiane.

However, only 28 percent of the foundation-building plan for the first half of the year has been completed. This is because of a shortage of materials. There were difficulties in importing materials from abroad. Various management systems for foundation building have not yet been promulgated. It is true that there are many private construction forces in the towns of Luang Prabang, Vientiane, Savannakhet and Pakse. But these forces have not yet been reorganized and have not yet been effectively utilized.

The main remaining problem in foundation building is that the basic construction forces of the state are too young and not strong enough to meet the requirements for building the material and technical foundations of socialism. In addition, private construction forces have not been utilized. Moreover, attention has not been paid to taking care of, repairing, maintaining or making use of existing material and technical foundations such as various machines and equipment and construction materials.

In the immediate future these tasks must be fulfilled: Convert the City Planning Department of the Ministry of Communications, Public Works and Transportation into various planning, industrial and civilian business construction companies; promulgate systems, organizations and management plans for building foundations in all fields; prepare for and attain investments; clearly determine the responsibilities of employers and employees; promulgate systems, organizations and management policies concerning construction materials and production policy;

distribute and use construction materials such as iron, cement, timber, clay, bricks, sand, gravelly soil and lime in the spirit of promoting the production and utilization of domestically produced materials and economizing on materials imported from abroad; adopt a policy of making appropriate use of private construction forces; adopt a plan to build and train technical cadres and workers to meet the requirements of foundation building; adopt an appropriate policy on wages and commissions; encourage workers of the Construction Branch; and adopt a plan to repair and take care of existing material and technical foundations and various construction materials and equipment.

In the meantime, it is necessary to lay out a plan for setting up the lower structure. First and foremost, a plan must be mapped out to set up a communications-transport system to create conditions for building agroindustrial foundations in accordance with a long-term plan.

D. The Communications and Transport Sector

In early 1978 the Council of Ministers stipulated that trade is a primary factor and that communications and transport work is the spearhead in promoting and developing the national economy. It also agreed that the communications network must be developed for both land and waterway services, including national highways and interprovincial, interdistrict and intercantonal roads, and that special emphasis must be placed on building communications routes to the sea. As for transport services, the Council of Ministers decided that state transport forces must be strengthened, that a plan to use private transport services must be mapped out, and that efforts should be made to develop all types of land and waterway transport vehicles including mechanized vehicles, traditional vehicles and modified vehicles.

To implement the above policy, in the past the communications, public works and transport service tried to reopen Routes 13, 9, 6, 7 and 42, to repair roads in the northern provinces, and to stock goods at various warehouses located in the areas where these roads begin in order to be able to transport them to certain critical areas. However, these attempts have not yet fully met requirements in developing communications and transport work. Insufficient manpower has been mobilized for repairing Route 9. The organization and management of the forces taking part in building Route 9 have not been fully unified. No detailed plans and procedures have been mapped out to insure the development of rural communications and transport work as well as waterway transportation. Despite the fact that the private sector has had sizeable transport forces, the state is able to use only a small part of them.

State management of fuel oil has also failed to stop extravagant consumption of the fuel supply.

The most prominent deficiency remaining in the communications and transport sector is that the state communications and transport forces still are weak and are insufficiently capable of guaranteeing the great requirements of production, construction and the people's living conditions and of acting as a spearhead in promoting and developing the national economy. In spite of these prevailing conditions, the state has moreover failed to skillfully utilize the private communications and transport forces and to develop private communications and transport work and waterway communications and transport services.

In the immediate future we must concentrate on promoting road-repair work and construction of a route to the sea and certain routes of strategic significance. The Ministry of Communications and Public Works must have a draft plan regarding the economic and technical aspects of construction projects as well as a clear-cut timetable for completion of these projects. In other words, all forces taking part in a road construction project must be assigned specific duties to guarantee progress in construction work in accordance with a set timetable and technical standards.

The ministry must inspect, increase and consolidate the forces undertaking the state communications and transport work, both at the central and provincial levels, in all respects--state organization of cadres and state management of the technical and material foundations and technical labor. It must map out a plan to acquire additional new vehicles and to repair old ones, and must acquire repair equipment for various provinces.

The ministry must pay attention to organizing and utilizing private transport and road construction forces. The state must implement a policy toward private transport operators and road construction contractors in a manner similar to that employed with those industrial capitalists we discussed earlier.

The contracts signed between the state and contractors must spell out the obligations of both sides. Construction costs must be subject to negotiations between the two sides and can be amended on the principle of mutual interests. The construction costs of a project in which the state is obliged to provide raw materials, fuel oil and other equipment to the contractor, and another project in which the state is not obliged to provide the aforesaid facilities, must be different.

The ministry must plan to set up a network of warehouses as well as a procedure for managing them in accordance with the warehouse management system. The ministry must strictly manage the Thanaleng warehouse in accordance with the warehouse management system. All branches owning goods in this warehouse must strictly abide by the warehouse management system. If there is not enough space for goods in this warehouse, more sheds should be constructed so as to increase its storage capacity. All warehouses located in the areas where transport routes begin must be expanded, and a definite management system must be applied.

Efforts must be made to mobilize and encourage the people to build and repair communications routes linking one canton to another and one district to another. The state will provide raw materials and technical assistance for building such roads.

E. The Internal Trade Sector

Based on the prevailing special economic conditions in our country which is advancing from small-scale production to large-scale production and entering into a period of bypassing capitalism, and where the five economies still prevail, the fifth resolution adopted by the party Central Committee and the Council of Ministers in 1978 stipulated that trade is a primary link of the chain in promoting economic rehabilitation and development aimed at restoring the people's living conditions to normal. Nevertheless, the above-mentioned concept has not yet been fully understood.

The distribution and circulation of goods between the cities and the countryside and between our country and other countries has not yet been expanded. On the contrary, such a venture has even been more extensively limited by numerous complicated marketing management methods, complicated inspection regulations, and multi-tax collecting procedures. Movement of food items from one canton to another, from one district to another and from one province to another has been prohibited. The state has failed to come up with a definite regulation regarding the people selling such food items to the state. One locality is still compelled by prevailing conditions to sell its goods to another locality.

Goods of the State Trade Service are largely sold to the people through ration shops, not through shops set up in accordance with market demands. The majority of goods are sold in cities, not in the countryside. But those goods which are destined to be distributed to the countryside have failed to reach the people. The State Trade Service has merely dealt with certain kinds of goods which are irrelevant to the requirements of production and peasants' living conditions.

Moreover, the State Trade Service has sometimes even imported certain luxurious goods, which are unnecessary for the welfare of working people, to please only a handful of people. In addition, certain types of goods, which are not demanded by local markets, are also imported in a large quantity. Sales of such goods have encountered numerous difficulties. In the meantime, the State Trade Service has prohibited the private sector to deal with certain kinds of goods, but the state has not engaged in carrying out businesses on these goods itself. That is why the distribution of goods in the country has not been expanded. The movement of the State Trade Service has also been limited due to certain organizational conditions regarding cadres, material and technical foundations, warehouses, transport vehicles, and circulation funds--both acquired from the bank and provided by the finance sector. Certain complicated conditions for transit goods and for circulating goods within the country has also posed numerous problems. Some prices offered in and procedures set up for buying food items and other agricultural products from the people are unreasonable and unfavorable to any expansion of the circulation of goods between the cities and the countryside.

Generally speaking, the activities carried out by the goods distribution and circulation branches in the past have fallen short of creating favorable conditions for the trade service to successfully serve production and the living conditions of the people to deserve its role as the primary link in the chain in promoting the national economy. In the immediate future, we must endeavor to resolutely do away with certain marketing management measures irrelevant to the expansion of the circulation and distribution of goods within the country. Those private individuals who have had business operating licenses will be allowed to engage in those businesses stipulated in their licenses, but they have to pay taxes to the state in accordance with the laws and must refrain from hoarding goods aimed at creating shortages of goods in the markets. All branches in the goods circulation and distribution sector must coordinate with the State Trade Service to create favorable conditions for expanding the scope of trading businesses and strengthening the state trade service so that it will be capable of leading and stabilizing the markets and prices primarily through the prevailing economic measures but not through administrative instructions. In the immediate future, efforts must be made to take control of the sources of goods in the country as well as of aid materials and imported goods in order to allow the State Trade Service to accumulate sufficient quantities of goods to meet requirements in production and the people's living conditions.

In operating trading businesses, the State Trade Service must aim at serving production and the living conditions of the people of all nationalities. It must be active in providing such service to the people and production. It must regard as very important the promotion of its role of providing guidelines to the people for utilizing goods in various ways, for example pricing, goods advertisement, and the structure and types of goods. As for the requirements of the people in pursuing a simple and cultured life in conformity with national traditions, the State Trade Service must expand the scope of trading businesses, promote consumption of certain essential goods and establish low prices for them. We must disapprove of any extravagant way of life which does not conform to the fine traditions of the Lao people.

To expand the circulation of goods in the country, the State Trade Service must be further developed. Trading cooperatives and private trading enterprises must be allowed to carry out trade which is beneficial to production and social life. The state trade service must be vigorously developed in various aspects to guarantee a stable supply of goods, material and technical foundations, capital, organization, cadres, network, and a certain scope of trading business. To increase its capability in market guidance, first of all the State Trade Service must expand the scope of trading businesses involved in the selling of certain basic goods at wholesale prices in some original markets in Vientiane, Savannakhet, Luang Prabang and Champassak.

Peasants have an obligation to pay taxes to the state. They have the right to consume or to sell their surplus products in the markets so that they can buy essential industrial goods in return. If the State Trade Service wants to purchase such farm products from them, it must directly contact them. Transactions in these goods must be conducted on a fair economic basis. The state cannot coerce them into selling goods to it at a whim.

Under the prevailing conditions in the country, in which small-scale production is being transformed into large-scale production, where there exist five economies, and where the economic structure keeps changing all the time, our markets have still maintained certain special characteristics, for example local markets generally exist within a limited sphere in each province, each district and each canton; markets in general are supplied with only a limited quantity of imported goods; and planned markets have emerged but still remain weak, while free markets are prevalent. In addition to businessmen, the free markets are also patronized by small producers, cooperatives and state enterprises. Therefore, the State Trade Service must participate and take a dominant role in the four types of markets, namely, national markets, local markets, planned markets and unplanned markets. Unplanned markets are markets which deal exclusively with certain kinds of goods produced by state enterprises and cooperatives beyond state targets.

Trading methods must be reasonable, and so must selling and purchasing prices. All forms of selling and purchasing must be applied. Goods produced by state enterprises in accordance with state plans must be purchased. This means that state enterprises must comply with the system of handing over their products to the state at prices fixed by the state. Goods can be purchased in accordance with the agreements signed with the state enterprises and cooperatives on a principle of equality and mutual consent. Goods can be purchased through a bilateral obligation at reasonable and agreed upon selling and purchasing prices. Goods can also be purchased through a barter system--that is, exchanging goods for goods, through the purchase of goods by paying money or furnishing finished goods in advance for another kind of goods to be given in return in the future, purchasing goods on a basis of mutual understanding, purchasing or selling goods at normal market prices, and purchasing goods in accordance with agreement that raw materials will be bartered for finished products. Goods can be sold in accordance with the system of rationing certain kinds of goods specified by the state, and with a normal trading system applied at ordinary shops.

In carrying out its activities, the State Trade Service must act efficiently to earn its role as the first link in the chain of the national economy, and must be fully aware that it must serve production, the people's life and socialist construction and transformation, not taking profit-making as a primary aim. It must resolutely implement an active strategy for promoting the circulation of goods, classification of social work and creating sources of goods. It must not remain idle, waiting for goods or customers. In other words, it must not remain on the defensive.

In the countryside, trading cooperatives must be vigorously developed in order to enable the State Trade Service to expand the circulation of goods between the cities and the countryside, to stabilize markets and prices and to serve production and the people's livelihood.

The private trade sector still plays an active role in expanding the circulation of goods within the country. The sector should be used as agents for selling goods at retail prices and for purchasing farm and forest products for the State Trade Service. It should be allowed to freely operate businesses within the bounds set by the state. Under conditions of free trade, private retailers may resort to certain malpractices, for example seizing an opportunity to hoard goods, profiteering, and evading business taxes. However, such practices can be corrected by applying some administrative, educational and economic measures to the situation. Administrative measures alone are not effective in solving these problems.

F. External Trade

In the past as well as at the present period, every country--socialist or capitalist --must establish economic relations with foreign countries in order to more conveniently develop its own domestic economy. Our national economy in the past was dependent upon foreign economies. We now want to build an independent, sovereign and socialist economy. To achieve this goal, we must rely on the CEMA. We must develop and strengthen our relations and cooperation with the CEMA with a view to building highly advanced technical and material foundations for large-scale socialist production, building sources of goods of high economic value for export--and building our economic structure, for example a road network. We must develop trade relations with member countries of the CEMA, Thailand and other countries on the principle of equality and mutual benefit.

In conditions in which our country is advancing directly from small-scale production to large-scale socialist production, we must try to solicit aid from the socialist countries. However, the possibility of acquiring unconditional aid is limited both in time and scale. To build large material and technical foundations, we must rely on our economic cooperation and relations with the socialist countries and certain capitalist countries which are willing to cooperate with us on the principle of equality, mutual benefit and respect for each other's independence and sovereignty.

Recently, our delegation attended the celebrations of the 30th anniversary of the CEMA as an observer. Our delegation met with the Soviet party and state leaders and the Executive Committee of the CEMA to discuss certain topics aimed at developing our relations and cooperation with the USSR and the other CEMA member countries.

Regarding unconditional aid, we have acquired such assistance from various fraternal countries and international organizations. We have set up a committee for unified management of aid materials and have appointed several subcommittees to carry out this work, for example the section responsible for the signing of agreements, the section responsible for implementation of the the signed agreements, and the section responsible for accepting, distributing, transporting, and checking aid materials. At the same time, we have also set up two companies to handle import-export business and to accept imported goods through the aid material acceptance method of the **External Trade Service**.

We have vigorously promoted the exploitation of forest products and timber and the purchases of coffee beans for export, and have carried out trade with Thailand in order to buy foodstuffs and some necessary equipment and materials for serving our production, construction and the people's living conditions. We have permitted some provinces to carry out import-export businesses by themselves. The central level has only managed the export of timber, coffee beans and mineral ores.

These plans, policies and measures are essential. But they are not fully effective to insure fulfillment of our **import-export** mission.

In implementing the lines, policies and measures of our party and state concerning economic relations with foreign countries, a number of our cadres are still placing high value on the economy and technology of the capitalist countries but low value on those of the socialist countries. They think that it is easier and more convenient and fruitful to trade with and solicit assistance from the capitalist countries than from the socialist countries. This notion means that those cadres do not clearly understand the difference in the nature of capitalism and socialism.

The capitalist countries must at all times adhere to the principle of the capitalist economy as well as the principle of inequality in developing economic relations with other countries--underdeveloped countries in particular. At present, the nonaligned countries have launched a vigorous movement to extensively oppose profiteering practices, oppression and domination by the imperialist countries, and to demand that a new equitable international economic order be set up, thus driving the capitalist-imperialist countries deeper into deadlock regarding energy and monetary problems. This development has created a basis for us to correctly appraise the situation and the forms of economic relations applied by the capitalist-imperialist countries. Therefore, we cannot afford to become sentimental and lenient with them regarding economic relations.

However, under the present circumstances both at home and abroad, our country is in a strong position and has a firm support--the socialist economic system. Our country is also rich in natural resources. Under the strong leadership of the administration, we have set up firm conditions for developing economic relations with the capitalist countries, that is, to develop them in accordance with the principles of bilateral interests. Only by decisively relying on the socialist economic system will we be able to establish economic relations with the capitalist countries without being dependent on their economy and technology.

Several facts have proved the strength, possibilities and benefits of economic cooperation and assistance among the socialist countries. Bulgaria, the MPR and Cuba have rapidly developed their economies by relying on their economic cooperation with the CEMA. Cuba and the USSR have established cooperation on the basis of long-term agreement. During the period of this agreement, prices in the world must change drastically. However, the two sides are bound by the agreement to maintain fixed prices in trading with each other. This is not the case when we have to trade with capitalist companies. When prices in the world markets rise, the capitalist countries increase their prices. Why? Because the socialist countries have established relations with one another in accordance with socialist principles and the laws of socialist economy. The socialist countries have a policy to help one another develop their economies.

The socialist economy is a form of economy which develops in accordance with a well-organized plan. Therefore, economic relations among the socialist countries also develop in accordance with a preplanned timetable. That is why the development of economic relations among the socialist countries must be carried out in accordance with the system of socialist economic management, agreements, protocols or other economic obligations which are governed by certain regulations. Unfortunately, we are not yet accustomed to these measures. Therefore, we must study and urgently make ourselves familiar with them.

On the other hand, the capitalist companies, for example French, Japanese and U.S. enterprises, have already conducted a study and survey of our markets, natural resources, social and economic conditions and habits of the Lao consumer in the past. These companies are run by private individuals and engage in business purely for profits. That is why it is easier and quicker to buy essential goods and equipment from them. However, we definitely have to pay higher prices for them.

In the immediate future, on the one hand we must survey and negotiate to establish economic cooperation with members of the CEMA with a view to exploring the Bolovens Plateau, prospecting for lead, salt, soda ash, timber and hydroelectric power in Khammounane and Savannakhet provinces, and conducting a study to build rail lines to the sea in the east. On the other hand, we must more vigorously step up the organization and management of exports and imports, and set up an organization to more effectively organize and manage economic relations with foreign countries to replace the current committee for unification of aid so as to achieve more unified management of economic cooperation with other countries, loans, requests for and acceptance of aid, and external trade. This organization must be attached to the Premier's Office and staffed with a number of capable, experienced specialists.

We must consolidate the external trade department and the United Import-Export Company, and set up companies for the Ministry of Agriculture, Forestry and Irrigation, the Ministry of Communications, Public Works and Transportation, and the Ministry of Industry and Trade to acquire materials and equipment and to import necessary materials, equipment and technology for these agencies and their enterprises. Technical training programs must be organized for foreign trade cadres in various ministries, provinces and abroad, commercial attaches and representatives of foreign trading firms. A vice minister of industry and trade should be assigned to deal solely with external trade.

As for imports and exports, while organizing the sources of aid materials regarding quantity, structure of goods, and timetable for acceptance in order to meet the requirements in the country, we must develop trade relations and cooperation with the socialist countries and other countries, first of all with the SRV and CEMA member countries. The state must monopolize the export of timber, coffee beans and mineral ores for foreign currencies, and the import of raw materials, spare parts and machines essential for industrial production in the country as well as certain essential industrial goods for agricultural production and the people's living conditions.

Import and export work must be divided between the central and local levels and between the Ministry of Industry and Trade and other ministries. Practice of allowing state organizations to arbitrarily carry out imports and exports must be halted. Certain major state industrial enterprises--the "555" brand tobacco factory, the beer brewery, the soft drinks factory, the plywood factory, the corrugated sheets factory, the Lao electricity authority, the tin factory, and those companies dealing solely in timber and coffee beans--are authorized to engage in import and export dealings with foreign firms.

The central-level import-export company is authorized to deal in the import and export of various types of goods in addition to those mentioned above. The branches in each province must organize sources of goods for export so as to acquire foreign currency for importing essential goods, materials and equipment. The Ministry of Industry and Trade must provide guidance and advice and act as a center for all branches and levels regarding import-export work; it is authorized by the state to carry out state management of all import-export activities of all state organizations, state enterprises and private individuals throughout the country. The state has the sole, monopoly right to manage the import and export of certain critical goods. The state may cooperate with some reactivated private businessmen to carry out the import and export of other kinds of goods. Private businessmen may be permitted to carry out import-export business in accordance with the conditions stipulated in the system of import-export management, which will be promulgated in the near future.

Provinces bordering Vietnam and Thailand must step up purchases and control of the sources of forest products for exporting to nearby provinces in Vietnam or Thailand in exchange for certain goods essential to production, construction and the living conditions of people in the provinces concerned.

We must cooperate with socialist countries in exploring for sources of certain goods of high economic value, such as tin, coffee beans, timber and other products, which are major and strong sources of our exports. We must map out an investment plan for building and developing these major, strong sources. Timber-processing and coffee bean-producing enterprises must be set up to carry out both the duties of production and export. These companies should be under the management of the Ministry of Agriculture, Forestry and Irrigation and the Ministry of Industry and Trade. Each ministry is authorized to manage any business connected with their roles. These companies are authorized to export goods on their own, but they must give 50 percent of their foreign exchange earnings to the state and spend the other 50 percent on spare parts and equipment essential for expanding and developing production, prospecting for new sources of goods, and importing some merchandise--foodstuffs and textile material--to fulfill their two-fold obligations to coffee planters and timber processors. This system has also been applied with tin-mining enterprises.

Customs offices must be consolidated and rehabilitated to carry out management of imports and exports.

G. The Prices Sector

Pricing policy is an application of the law of value with a view to promoting the development of industrial and agricultural production, promoting expanded distribution of goods, promoting socialist transformation and construction, and serving the people's livelihood.

The pricing system in purchasing industrial products and retailing, adopted in 1976, has basically relied on the prices in the old liberated zone where the mercantile economy was not yet developed. This pricing system has contributed to promoting production and improving living conditions, but only to a certain level. However, this system is irrelevant to the present situation. As a result, many disappointing incidents have taken place due to this system. For example, the State Trade Service has been unable to expand the scope of trading and to enhance its guidance role in the markets. Purchasing prices set up by the state for paddy, polished rice and cattle have been lower than the actual value of these products. When compared to current market prices, which have been affected by reduced demand and prices in foreign markets, those prices are far too low. As a result, a considerably large number of food items--cattle, poultry, pigs and fish--from the Nam Ngum area have been smuggled out of the country. At the same time, the state has been compelled to spend foreign currency to import rice at international market prices to be sold to the people at retail prices 10 times lower than purchasing price.

Prices are an expression of the monetary value of goods. Thus, the rise or fall of prices depends on the rise or fall of the value of goods. We are in the period of transforming small-scale production into large-scale socialist production. The natural economy is being gradually disintegrated; our production and our production structure are constantly changing. Thus, the value of each kind of goods is also changing.

Prices do not depend only on the value of goods, but also on the relationship between supply and demand and on the monetary value.

In a situation in which our economic relations with foreign countries are developing with each passing day, the market prices in our country cannot be separated from international market prices. World market prices in recent years have changed dramatically. The value of the U.S. dollar has fallen rapidly. The capitalist world is suffering from a severe monetary crisis. Oil prices have increased dramatically, thus driving up transportation costs as well as prices of several finished products in the world. The transportation costs of our goods through Thailand have significantly increased. Prices of polished rice and timber in the world markets have also increased many times over. In the meantime, we are still maintaining the selling prices of polished rice and timber and the purchasing prices of paddy at the old rates. Such a practice is unreasonable. With such a pricing system, the **State Trade Service** is unable to buy or sell goods; agricultural production cannot be developed; the people continue their **insufferable living conditions**; the import-export service encounters difficulties; and conditions remain fertile for illegal trading and profiteering.

Under such circumstances we must readjust the pricing system to conform to the requirements of the domestic and foreign markets, to the value of other finished products, to the value of the bank kip which has just been put into circulation, and to the line and policies of the party and state aimed at expanding the circulation of goods, developing production, restoring people's lives to normal and contributing to efforts aimed at eliminating all negative manifestations in society.

In other areas, we are in the position of transforming small-scale production into large-scale production. Five categories of economies exist in our country as well as several types of markets--national, local, markets for goods produced under the targets, and markets for goods produced beyond the targets. Therefore, the **State Trade Service** must implement several different kinds of trading. Prices must be reasonable and of several categories--prices under the targets, prices beyond the targets, unified prices for the entire country, and prices for the markets in each locality. Uniform prices, for all kinds of markets in the country and all kinds of trading, cannot be applied.

The price-management system must allow the Council of Ministers to establish principles for prices policy and set trading prices for a number of goods which are sold in national markets. It must permit localities to fix prices in accordance with the principle and policy of unification promulgated by the Council of Ministers. The various provincial administrations are only authorized to fix prices of certain goods offered in local planned markets. They cannot fix prices for all types of goods in all kinds of markets simply by issuing administrative instructions on market management. The central level is authorized to fix prices for certain types of goods it has purchased or collected for export. As for the essential goods imported by the central level for distribution to various provinces, the central level is authorized to fix only wholesale prices. Retail prices of these goods will be fixed by the local level in accordance with the principle set by the central level.

The purchase price of agricultural products in each province is fixed by the provincial administration for each season in accordance with an agreement reached by the **State Trade Service** and peasants with two-fold obligations or without any obligations. The wholesale prices of materials and technical equipment fixed by the central level must be retained for a period of 6 months or 1 year. After that period they can be amended.

Wages for production labor, and costs of transportation and construction services undertaken by the private sector must also be fixed by the local administration in accordance with the principle set by the central level. If these services are performed at the central level, the minister concerned is responsible for fixing wages and transportation and construction costs.

The calculations of wages and costs for services for which the private sector is responsible for acquiring spare parts, raw materials and equipment, and those services for which the state is responsible for providing material equipment or foreign currencies, are also conducted on different bases.

The selling price of goods produced by the state and local industries or of goods acquired by the localities themselves must be fixed by the localities concerned. The purchasing price of agricultural products for local export is also fixed by the localities concerned on the basis of their agreement with local peasants.

H. The Salaries Sector

Salaries are an expression of national monetary income which is distributed by society to laboring people in accordance with the quantity and quality of their respective work. Under the socialist system, salaries are fixed in accordance with the requirements of the law of distribution, subject to the level of labor and the scale of economic development in the country.

Our current salary system was adopted in early 1976. This system no longer applies to present reality. Thus, it is necessary to study and readjust this system so as to vigorously promote production and improve the living conditions of cadres, workers and laboring people.

In readjusting salaries in accordance with the principle of distribution subject to the level of labor, there must be a distinction among the scales of salaries for production workers, for cadres and state employees in administrative branches, and for armymen. The readjustment of salaries must be carried out with the aim of insuring an appropriate ratio in the living standards of workers and farmers and, in addition, in the per diem rates of army units with respect to their different professions, ranks and echelons. Workers with high-level technical skills and cadres with advanced scientific and technical knowledge must receive state support. New inventions, technical modifications, and literary and art initiatives must be rewarded with appropriate commissions.

As for the production sphere, salaries must be paid in accordance with the types of products. Various kinds of commissions should be paid: for example, commissions for work efficiency, commissions for fulfilling plans, commissions for economizing in the utilization of raw materials and equipment, and commissions for new inventions and initiative.

As for the administrative and academic spheres, on the one hand the number of personnel in each sphere must be reorganized by transferring some of them to assist the production sphere and business services. In addition, others must receive further studies and be sent to work in localities with manpower shortages. On the other hand, the salary scale must be readjusted to conform with the principle of distribution in accordance with the contribution of labor to the point where the system of paying for labor with material goods is abolished. In this way, an actual salary system can be fully implemented.

As the first step, payment in the form of rice and textile materials must be retained. Due to differences in living conditions of various localities, people's base salaries should be complemented by additional living allowances paid on the basis of prevailing local conditions.

As to separating the work of cadres and state employees so as to prepare salary steps for them, definite guidelines must be adopted. Do not do it in such a way that conflict may develop between cadres of the old liberated zone and those of the new liberated zone and between workers and peasants and the intellectuals.

High or low salaries do not depend only on the high or low efficiency of work performed by individuals, but also on the efficiency of their work within society as well as the scale of development of the national economy. Our national economy has not yet developed, but we have to fulfill the requirements of our national defense; insure a relatively appropriate ratio in the living standards of workers, state employees, peasants and army men; and insure that the lowest salaried people still can maintain at least a minimum standard of living. Therefore, we can neither pay higher salaries than our economic capabilities allow, nor pay salaries commensurate with the contributions to society by those personnel with high efficiency. Nevertheless, the new salary scales which will be adopted will consist of more levels. The gap between the highest and lowest salary levels will include more steps than before.

Along with the readjustment of salaries, we must pay closer attention to labor management, the system of labor recruitment, working hours, study periods, meetings and holidays, and the system of labor discipline in offices, organizations and enterprises. At the same time, attempts must be made to reorganize work so as to make it simpler.

I. The Finance Sector

The lines, policies and political duties in each historical period are decisive factors in our country's financial duties. Our political duties at present are to build and transform socialism, restore and develop production, improve the cultural and material lives of our people, step up national defense and public security work, and defend the country. The financial duties of our budgets at present are no different from the above-mentioned duties, that is, to serve production, to serve the people's living conditions, to serve socialist construction and transformation, and to defend the socialist country.

The production concept, the mass concept and the political concept are the major concepts of our country's finance sector. The basis for appraising our finance work is evaluation of production output and its effect on the people's living conditions, not appraisal of the financial position per se. This means that the more income we earn and the fewer expenses we incur, the better our finance work will be. If it is necessary to incur some large expenses in advance without any immediate tangible financial return, and if such expenses are believed to benefit production in the long run, the finance sector must do it even by acquiring loans from the bank credit sector. We must not allow even a temporary financial imbalance or a shortage of cash to occur. The direction of our finance work is to actively maintain an equilibrium between revenue and expenditure. A temporary disequilibrium may occur, but a new equilibrium on a higher scale must be maintained.

Our state budgets in recent years were derived from our domestic and external revenues, and were spent to insure various expenditures of the state management machinery and expenditures for cultural development, national defense and public security work. At the same time, the major part of these budgets was spent for building the economy and its foundations, and used as circulation funds for various factories and enterprises. The policy on revenues and the system regarding necessary expenditures were established to conform to the lines and policies of the party. The implementation of this policy and system each year has also made some progress. The functionaries for managing finances from the central to the provincial levels have been consolidated, educated and trained in our lines and policies and in professional skills to a certain degree.

After scrutinizing the implementation of finance policies and management systems in recent years, we have found the following situation: Allocations for economic development and construction, which were a major share of national budgets, were not used up during each fiscal year because the capabilities of various branches and levels in economic construction were limited and the management of expenditures in economic construction was weak. It can almost be said that the management of expenditures was a failure, pointing to the fact that funds allocated to those factories and enterprises were beyond their spending capabilities. Various organizations, factories and enterprises had in their possession a large amount of idle funds and had to deposit them in the bank. Many branches and levels spent the economic construction funds unscrupulously recruiting workers who then had no work to do. At the same time, in certain enterprises which genuinely needed funds for economic construction, due to the lack of a system for managing the construction of foundations, the lack of a finance system for branches in the key economic units, the finance sector failed to provide the funds in a timely manner. Many of them had to wait for a long time for such funds because several signatures were required. This problem has not yet been resolved. The same was true with expenditures in foreign currency.

As for expenditures for national defense, public security work, and cultural and administrative work, even though a number of work systems on managing expenditures have been promulgated, there is, in fact, no organization nor responsible bodies to manage them. In truth, heads of various branches and local administrations, though realizing the need for various expenditures, apparently pay no attention to managing these expenditures in accordance with policy and work systems. We can clearly see such cases in the extravagant payment of salaries to personnel hired without proper work to do. No branches or levels seem to pay attention to managing these important expenditures. On the contrary, requirements for appropriate expenditures in the cultural, educational and public health fields and in repairing living quarters are neglected.

Our revenues are derived from two major sources--foreign aid and domestic taxes. However, the various branches and levels seem to pay attention only to acquiring aid and utilizing it; they hardly pay attention to following up on the utilization of such aid. Since the Committee for Unified Management of Aid was set up, attempts have been made to more frequently step up the followup review of the utilization of aid funds. Nevertheless, aid funds from fraternal countries and international organizations constitute only a small part of the national budget. Revenue from local taxes is a major part of our national budget. However, collection of this type of revenue is ineffective due to the weak organization of the tax collection system and lack of attention by administrations at various levels to guiding the work of full collection of taxes.

As for the management of revenues and expenditures in the past year, a system of dividing the levels of finance management has been promulgated. However, this system has not yet been implemented. The remaining shortcoming in our finance work, to which we should pay attention, is the weaknesses in the management of expenditures for economic construction. This is partly because we lack a system for managing enterprises, for managing the building of economic foundations and for managing plans, and partly because our capabilities in managing production and business of the national economy have not yet been consolidated and rehabilitated. We also lack capable personnel to carry out this work. Another shortcoming in our finance work is that expenditures for salaries are very high while revenues from state enterprises are very low due to poor business, heavy losses, and lack of attention to collecting taxes and transferring aid funds to the national budget.

Foreign aid funds are great in quantity, but only a small part of these funds is allocated to support the national budget while the rest may be spent unscrupulously. Therefore, in the coming year the following tasks must be fulfilled:

We must consolidate and rehabilitate the finance system from the ministerial down to the district levels as well as in the key economic units of state enterprises and cooperatives; the various ministries must set up finance departments staffed by responsible specialized cadres; all enterprises must also install responsible cadres to manage their finances; the finance sections of various provinces must be consolidated and rehabilitated, and finance cadres must be appointed to each district; the organizing of tax collection must be consolidated and stepped up; administrative guidance on the work of managing financial revenues and expenditures at various levels must also be stepped up; the agricultural tax policy should be remodified; a simple, unified and appropriate tax rate must be applied; the provincial administrative committee should be authorized to fix a tax rate for districts, cantons and cooperatives which will be effective for 5 years without change; and consideration should be given to remodifying the policy on business and industrial taxes as well as on import and export taxes so as to conform with the system of managing imports and exports and the policy on goods consumption.

Capitalist industry and trade must be restricted and transformed. The implementation of such a policy calls for the adoption of another corresponding tax policy which must be correctly and fully implemented. This tax policy is another important tool in guiding capitalist industry and trade to develop in accordance with the requirements of the state plan and the people's living conditions.

A system of managing the building of foundations and a system of managing state enterprises must be adopted as bases for managing the monetary revenues and expenditures of state enterprises and fundamental construction enterprises.

Budgets for various provinces must be prepared to include estimated revenues and expenditures for each district. The district should not be allowed to freely fix its own revenues and expenditures.

A system of managing foreign currency spending must be adopted to serve imports and exports.

J. The Banking Sector

A bank is an effective tool for fulfilling the duties of building and transforming socialism and developing the economy and culture. Lenin stated that without a major bank it is impossible to build socialism. That is why all socialist countries must stipulate that a bank is a centralized organization for managing the economy and finance. It is also an economic organization which carries out business in accordance with a system of balanced management to make profits for all branches. It does not define its specific duties in managing the economy. All production and goods circulation activities are calculated in terms of monetary value by passing through banking procedures. It is a sharp and strict organization which is charged with organizing bookkeeping for production and [words indistinct] throughout the country.

In the past the national bank carried out the money-changing duty in order to unify the Lao currency throughout the country and loaned money, deposited by various enterprises and organizations for interest, to the trade sector. Nevertheless, it appeared that the bank's operation was very weak in certain aspects. For example, it failed to fulfill its role in distributing money and managing an easy cash flow. A great deal of cash was not collected in a timely manner from various enterprises and organizations. As a result, the cash flow was very slow.

As for the granting of credit, most of the loans were made to the trade service. However, the bank was very weak in making loans to farmers for expanding and developing production. It did not know how to make loans, who should get them, where they should be given or what they were for.

The bank and the finance sector have failed to control and manage the economic operation of various enterprises and to organize the economy. Economic enterprises and organizations do not have plans for carrying out business and production. Sometimes there has been no production, nor has any business been conducted, but the finance sector had already made payments. As a result, there is a surplus supply of money currently deposited in the bank by various organizations, offices, mass organizations, state enterprises and other economic organizations. The Council of Ministers has unanimously instructed the finance sector and the national bank to coordinate with each other in resolving the debts and loans among various state organizations, to tightly control cash, to set up bank branches at the district level, and to extend loans to the agricultural sector to be used for buying cattle for farming, buying agricultural tools, and building irrigation projects. These tasks have not yet been properly executed.

In the immediate future the following tasks must be urgently fulfilled:

The printing and circulation of banknotes in the liberation kip denominations were carried out in 1968. After the founding of the LPDR and the national reunification, while unifying the markets, prices and salaries, efforts were also made to unify our monetary system. The circulation of the liberation kip was finally unified throughout the country. Now our people's efforts have switched to carrying out socialist revolutionary tasks as well as tasks in socialist transformation and construction--tasks which call for allout mobilization of all manpower, financial power and wisdom available at home and abroad, including any aid sources for capital to meet the requirements for socialist transformation and construction. The liberation kip failed to meet these requirements.

It was exploited by both internal and external reactionaries to support counterrevolutionary forces, and by the reactionaries, comprador bourgeoisie, smugglers and opportunists to control markets and prices so as to destroy our economy. As a result, the value of the liberation kip declined to a certain degree. Such a situation called for monetary reform and the printing and issuing of a new kip with high value to replace the old liberation kip. This was for the purpose of thwarting the aforementioned scheme of sabotage by the reactionaries and comprador bourgeoisie and at meeting the requirements of economic and cultural development and socialist transformation and construction. The monetary reform was also carried out in close coordination with reforms in other spheres--trade, prices, salaries, finance, credits, a balanced management and profits--so as to insure a simultaneous operation of all the economic levers in conformity with the prevailing objective economic laws. At the same time, various necessary policies and measures have also been implemented to promote production and expand the circulation of goods as well as to develop economic relations in various forms with foreign countries. First of all, this is aimed at increasing the supply of goods to the markets in order to maintain a balance in the supply and demand of goods and in financial revenue and expenditure, to expedite goods circulation and monetary flow, and to stabilize the markets and prices, thereby stabilizing the value of the kip. The printing and circulation of the new kip denominations to replace the old ones successfully began on 10 December 1979. We must endeavor to completely implement the above-mentioned measures and policies so as to stabilize the value of the new money.

As for credit, loans must be granted to agricultural cooperatives so they will be able to effectively centralize agriculture, grow rice and process agricultural products in the areas where only rice plants or industrial crops are grown. Such loans must also be made to handicrafts cooperatives to produce goods to serve agriculture, and to the sectors concerned with developing transportation vehicles. They must also be made to private individuals using their property as collateral so they can expand their businesses and production to meet the requirements of production and social life. Loans to agricultural cooperatives will enable them to acquire farm implements, buffalos for plowing ricefields, water pumps, rice seedlings, livestock, fertilizer, insecticides, cement and iron rods for construction.

Therefore, the bank must coordinate with the agriculture, forestry and irrigation sector to clearly define which areas are solely for growing rice or industrial crops so that financial and technological investment can be concentrated in those areas.

Bank credits should be properly fixed to create circulation funds and funds for building the foundations of various economic enterprises and organizations. Procedures must be studied and promulgated for various central and local companies to acquire foreign loans to carry out import-export businesses. Efforts must be made to encourage people to deposit money in savings accounts by offering easy procedures for withdrawing their money and reasonable interest rates.

Regarding banking clearance, technical courses on banking clearance should be broadened to the point that no cash is needed in banking clearance through the banking process so as to expedite payments of loans and delayed debts among state organizations by coordinating finance work with trade and industry. Experiences should be studied to adopt measures to prevent any delays in monetary payments. All necessary methods must be applied to speed up the circulation of money, to enlarge the network for collecting cash by increasing the numbers of bank windows, tellers and vaults. The banking network must be enlarged to the district level in the plains. The technical banking clearance must be enlarged to the point where no cash is needed. Procedures should be laid down regarding the utilization of petty cash by various organizations and enterprises. Cash must be tightly managed. Each month the bank must hold a meeting with the finance and industrial trade sectors to review and inspect the equilibrium situation in cash revenue and expenditure. On this basis, numerous methods must be laid down and implemented to insure an equilibrium of cash revenue and expenditure.

As for foreign currency, we must coordinate the methods of managing and administering foreign currency and of organizing foreign currency businesses with the aim of stabilizing the markets. The buying power of the kip and the dollar must be correctly studied and fixed so as to lay down an exchange rate for internal banking clearance and for foreign currency dealings.

K. The System of Machinery for Managing the Economy

This system has been set up on the basis of an overall application of various prevailing objective economic laws. However, these economic laws have been changed in conformity with the development of the production force and production relations. The system of machinery for managing the economy must, therefore, be appropriately changed in accordance with the aforesaid changes in economic laws.

Since 1976 our party and state have set up, step by step, the system of machinery managing the economy our country, clearly fixing the line on socialist revolution, including the economic line to be implemented in the new historic period of our country, adopting the 3-year plan on economic restoration and development and on cultural development from 1978 to 1980, and setting forth the state plans for 1977, 1978 and 1979. Our party and state are now making preparations to adopt the first 5-year plan, having promulgated the policy and system on the management of circulation and distribution, and the policy and system on revenue and expenditures, salaries, prices, trading, and credits. At the same time, our party and state have gradually set up, consolidated and rehabilitated the structures of businesses in the fields of industry, agriculture, forestry, transportation, construction and trade.

Certain achievements have been scored in carrying out activities in accordance with the system of the machinery for managing the economy.

However, those achievements have not met the requirements. This is because the level of our economic management is limited. We still cannot correctly understand and make use of the various prevailing objective economic laws in society. We still cannot clearly understand the specific activities of these economic laws under the conditions of the five economic sectors and under the conditions in which we have just entered the transitional period in the process of direct development from small production to large-scale socialist production with the men left behind by history. [phrase as heard] In addition, the level of cultural, scientific and technical understanding as well as the level of understanding and utilization of economic laws is still very limited.

Moreover, many mistakes have been made in implementing the aforesaid system of machinery for managing the economy. This shows that there is a tendency to stamp out the various nonsocialist economic areas too soon, a tendency to think of the interests of the whole country rather than the interests of localities, paying no attention to common and private interests. This is why efficiency in implementing the system of machinery for managing the economy cannot be guaranteed, why production is not promoted and expanded, and why the circulation of goods is not broadened. In addition, people have faced many difficulties in their daily lives. Various indications of discouragement among the people in society can be seen and the tendency is for this trend to expand.

Details of the structure for organizing economic management have not yet been fixed; the rights and duties of various branches and various levels still remain complicated; and the role and responsibility of the state management and the role and responsibility of economic management have not yet been clearly classified.

For this reason it is necessary to transform the system of economic management apparatuses in harmony with the special points of the various economic rules being applied in the actual situation in our country. Such special points are the socialist economic rules, which have just been implemented, and whose benefits have not yet been fully reaped. Activities following capitalist economic rules have been reduced to some extent. Yet, such activities still remain.

The vigorous and thorough implementation of the theory of value and utility may lead to the achievement of total utility. At the same time, the total utility of a thing to a person may decrease depending on the amount of it he has. With the availability of large quantities of materials, equipment and goods possessed by the state, we are capable of balancing supply and demand in markets, thus minimizing decreasing utility and promoting total utility. Under such conditions, our system of economic management apparatuses must be the system of socialist economic management apparatuses created on the basis of coordination between the system of socialist economy and the theory of utility and marketing relations so as to broaden goods circulation between Laos and foreign countries, between towns and rural areas and among localities, aimed at promoting the division of work in the new society, eliminating the natural economy, expanding the production and circulation of goods, developing agriculture and industry and building a new economic structure. By so doing we can transform the national economy into a planned economy, implement and benefit from the balanced economic system, use the economic lever and formulate the following economic management system:

Regarding the transformation of the national economy into a planned economy, the socialist state must fully apply the law of national economic development in a planned manner and other economic laws so to develop economy and culture. At present, our state economy is not strong, the economy of cooperatives has just been established, and the production capacity of the state and cooperatives is still insufficient. On this basis, the various socialist economic laws cannot be carried out in a vigorous manner. For this reason the capacity to transform the national economy into a planned one is limited.

Today we have completely mastered our national economy. The state must assume the role in managing the national economy. For this reason we must have plans to build and develop our economy. Even though the national economy has not been fully planned with figured objectives, we have had some industrial, agricultural and forestry enterprises, some basic construction projects, extensive trade networks and some import and export companies receiving and distributing aid goods. Activities of these basic enterprises and economic organizations must be carefully planned to insure the success of production plans and the business of the enterprises. Importance must be attached to adopting plans at the grassroots level and in various localities. Plans must be adopted at the three levels--central, local and grassroots. Such plans must be based on the reorganization of the social labor forces. We must carry out the labor revolution, aimed at increasing the work efficiency of society and materialize the requirements of the principle of avoiding labor waste. Special attention must be paid to planning domestic goods circulation, import and export, reception, transport and distribution of aid materials and the transport of rice.

As for basic construction projects, detailed economic and technical plans must be mapped out for each project, progress must be reviewed after plans are formulated and construction work begins, and production factors must be calculated so as to make sure that construction projects are completed as expected.

Regarding the planning of the above economic activities, to exercise the right to mastery, planning activities must be carried out at the three levels--grassroots, provincial and central. Worthy of attention are enterprises, construction companies, agricultural settlements and forestry settlements at the grassroots level. As for the production bases of farmers, handicraftsmen and private capitalist enterprises, we have not yet imposed conditions on them to adopt production planning; we have adopted only a direction for them so that the production bases will develop in accordance with state plans by applying marketing relations, the theory of value and the distribution and circulation policies and methods.

Our country's natural economy still remains in certain important areas. In these areas there are no production or circulation activities and the law of value has not yet been applied. To eliminate natural economy and promote labor division and goods production in such areas, trading and marketing play a decisive role. All these special points lead to the conclusion that commerce is the first and last link in the chain of our economy and that the transformation of our country's national economy into a planned one must be treated as the most important thing under present conditions prevailing in the country. Commercial planning must cover import, export, the reception of aid material and the purchasing and circulation of goods in the country. Meanwhile, planning must be closely linked with economic management. Attention must be paid to correctly formulating and implementing circulation and distribution policies to insure the complete activities of the levers and the successful implementation of state plans.

We are entering the initial phase of the transitional period. We should resolve the violent contradictions of this transitional period, that is, the contradictions between production and consumption. For this reason, in transforming the national economy into a planned one and in organizing the implementation of national economic development plans, utmost importance must be attached to the requirements of the rule of avoiding labor waste; attention must be paid to reorganizing the labor forces in society; and social work efficiency must be raised. Importance must be attached to the promotion of the emulation labor movement and to practicing thrift in production, construction and our daily lives. The promotion of the emulation labor movement and the practice of thrift are basic methods for insuring the successful implementation of state plans and for gradually resolving the contradiction between production and consumption.

Regarding balanced and profitable management, this is a method for socialist enterprise management, created on the basis of the utilization of the law of value. In observing this law, various enterprises must compare their income and expenses and insure that income meets expenses and profits are made. This is why balanced, profitable management has become the system of enterprise management generally applied in many socialist countries in various ways.

Regarding state enterprises, we must implement the system of balanced and profitable management in conformity with production methods and the business of each enterprise, planned or unplanned. The unplanned business is carried out by using the selling and buying prices agreed upon in contracts. In carrying out the planned business, we use the system of balanced and profitable management. In this regard, the director of an enterprise has the right to execute buying and selling contracts, receive loans, hire employees and pay salaries to workers. He also has the right to execute import and export contracts. Prices for buying equipment and raw materials and the wholesale prices adopted by an enterprise are in line with the prices authorized by the state.

Regarding the use of economic levers, various policies such as salaries, loans, pricing, buying, selling, income, expenditure and financial policies are economic levers. They are useful for promoting economic development. It is necessary to carry out the transformation in accordance with the principle that state interests, collective interests and the private interests of working individuals must be correctly coordinated with the purpose of serving production, the people's daily living and the cause of socialist construction and transformation.

Regarding capitalist industries and trade, their policies must conform with the policy of limiting and transforming capitalist industries and trade. The detailed contents of the policy have been clearly described in the tasks regarding salaries, pricing, credits, finance, internal and external trade.

Regarding the structure of economic management, it is necessary to clearly classify the organizations responsible for the management of state affairs and the grassroots organizations directly engaged in production and business. Ministries, specialized sections and provincial administrative committees are responsible for the management of state affairs only by guiding and checking the implementation of various state plans, procedures, policies, and laws and by training and educating cadres. Except for the task of reviewing and checking the results of work, ministries, specialized sections and provincial administrative committees shall not be directly involved in the economic management of an enterprise or company.

The structure of state management consists of four levels--central, provincial, district and canton. The structure of economic management now consists of two levels--the ministerial level and the local level. The local level is comprised of the enterprise, company, semi-company and cooperative. There is no department level between these two levels at present.

3. The field of education, culture and public health

In 1980 attention must be paid to effectively carrying out certain tasks as follows: The administrations of various levels must firmly grasp education work and be determined to create all favorable conditions for education to go one step ahead of other tasks. Attention must be paid to education at all levels, from the level of kindergartens and nurseries to higher levels. Special attention must be paid to cultural training. Education of children and youths must be considered a significant tool of proletarian dictatorship to build a new generation, new men and the country.

Everyone, particularly the leading cadres and key cadres at all levels of all branches and of all combat units, as well as all production and working units, must play a model role in studying subjects in whatever field of work they do in order to raise to a higher level step by step, their understanding, so they can successfully fulfill their tasks and responsibilities. Attempts must be made to fight laziness and hesitation in studying. The organizing committees of colleges and all branches at all levels must firmly grasp the level of understanding in culture, politics and specialized subjects of each cadre, particularly the key and leading cadres, so that plans and arrangements can be made to send them for further studies or to help each of them to study by himself to raise the level of his understanding.

Party and administrative committees of provinces and districts must strive to set up a system of cultural-training schools and formal labor-training schools to train cadres and to raise the level of understanding of youths, particularly in mountainous areas. The educational branch, the organizing committees and administrations at various levels must lay out plans and prepare all conditions so that by the beginning of 1980 the state will: know the number of students of secondary and higher schools; know the contents of courses of study, methods of teaching, political and ideological work as well as the daily lives of students; guarantee the creation of favorable study conditions for students; and consider the students as alternate cadres, personnel and workers attached to the state. In particular, the educational branch must join with youth committees in setting up elements responsible for these tasks.

Special attention must be paid to the material and spiritual life of teachers who teach culture, politics and specialized subjects: The educational branch and other branches must create favorable conditions for educational cadres and teachers to move forward and explore deeper into their studies. The problem of their salaries and allowances must be thoroughly settled. Political and special training must be provided for them. Attention must also be paid to setting up teacher training schools and training and building the ranks of ethnic minority teachers in order to develop culture and set up formal education in mountainous areas.

The Education Ministry, the National Planning Committee and various branches must study and make plans to build and expand engineering schools and other specialized training schools for training and building up specialized cadres and workers in their branches. On this basis, a system of vocational education must be set up step by step in order to meet the requirements of economic construction, cultural development and other tasks. In areas which are still weak or have a lack of cadres, proposals can be made to ask fraternal countries to give aid in the form of specialists, build the material foundations or accept cadres and students for training. Policies must be adopted to encourage cadres and workers to continue studies in their respective professional branches. The cadres and workers must be helped to clearly understand the responsibility, honor and prestige of the tasks in their branches. It is also necessary to study and utilize a professional retirement system and to appropriately set up an organizational structure for the system.

Sufficient management and leading cadres, auxiliary cadres and labor forces are needed so that all tasks can be smoothly carried out. It is necessary to educate and train them and to correct the idea of wanting to be commanders only and of not wanting to be privates. However, a correct policy must be adopted to facilitate the correction. Efforts must be made to raise the level of their specialized knowledge and skills. It is necessary to widen information and propaganda networks, strengthen technical and material bases, increase information and propaganda activities and make use of information and propaganda means such as newspapers, radio stations, news bulletins, posters and group meetings held to disseminate policies and publicize party and state plans and policies.

Various offices, organizations, enterprises, schools, military units and public security units must organize group meetings once every 1 or 2 weeks to publicize news and policies. Teachers in primary schools should engage in information and propaganda activities. The cultural section of each province has the duty to supply them with documents, newspapers or news bulletins and assist them in carrying out their work. Efforts must be made to install radio receivers and loudspeakers in accordance with the resolution of the sixth plenum of the Central Committee.

We must immediately restore and develop art and literature foundations, mobile art and literature troupes and develop the sports, acrobatic, sanitation and disease-prevention movements to serve the people in towns and nationality areas, with emphasis on cultural, political and economic affairs. The various branches concerned must formulate a system for the movements from the central down to the grassroots levels. Attention must be paid to building the mainstay of the movements by closely coordinating with mass organizations such as youth and women's associations, so that the movements can be effectively guided.

The various economic and financial branches must pay attention to supplying transportation, equipment and goods needed in the above task. The party committees and administrative committees must regard this as an important aspect of their guidance work since the movements are of great political and social significance and directly contribute to normalizing the situation and making the laboring people happy, thus increasing their production and building the country.

The public health branch should review the results of public health development during the past several years. It should provide training for cadres attached to it at various levels so that they can correctly understand the mass attitude toward public health, vigorously develop the sanitation and disease-prevention movement, expand public health networks to the grassroots level, take care of the health of people and those currently engaged in production and combat activities, improve and strengthen the task of training public health cadres, improve medical schools at various levels, and send specialized cadres to basic establishments to eliminate some diseases such as malaria, stomach disorders and tuberculosis which are great obstacles to production and combat activities. The public health branch should pay attention to caring for mothers and children, improve the quality of various major hospitals and district and canton clinics and institutes, and conduct research on the prevention of some diseases. Meanwhile, attention must be paid to developing the production of medicines using local and imported raw materials so as to meet the requirements of people of all nationalities and to export finished medical products to foreign countries. Attention must be paid to achieving wide use of traditional medicines, encouraging various cantons to plant medicinal crops, organizing networks to distribute medical supplies, and insuring that medical supplies reach the consumers.

Part Four: Reconstruction and strengthening of the organization of state and economic management to meet the requirements of the present situation and tasks.

Our people are shouldering the historic task of economic development and transformation as well as the task of cultural development. They are now obliged to carry out the tasks of defending an outpost of the socialist revolution in Southeast Asia, of defending the country's national independence and tranquillity and of standing ready to smash all aggressive maneuvers, to smash attempts to stage rebellions and swallow up the country, and to smash the psychological and spy war of the imperialists and the Beijing expansionists and hegemonists.

Our people must insure the success of these two tasks--the tasks of national construction and the task of national defense--so as to permanently safeguard our national independence, develop culture and the economy, and victoriously fulfill our socialist construction.

To implement this historic cause, our party and state have adopted the correct policies and line. However, the organization of our state and economic management remains inefficient and has not yet met the requirements of the situation and tasks. Our organizational apparatuses are excessively large; there are many levels between the highest and lowest echelons; the responsibilities of each branch have not been clearly defined; the vertical and horizontal relations have not been clearly defined; the policies and line do not reach down to the grassroots level; and bureaucracy and the activities of those cut off from the people and reality are seriously growing.

To fulfill the historic cause of the nation it is necessary to bring into full play the laboring people's political, economic, cultural and social right to collective mastery throughout the country--in each locality and in each basic establishment. It is necessary to hasten the strengthening and reconstruction of the economic and state management apparatuses from the central down to the grassroots levels. The objectives of the transformation of the work style and the reconstruction of the management apparatuses is to increase work output, insure effective implementation of party and state policies, plans and line, and insure the success of the two tasks--national construction and national defense.

Everyone from the highest down to the lowest levels must be made to clearly understand that the system of our people's right to collective mastery is the system of the people being the masters, the state being the manager and the party being the leader. The principle of centralized democracy must be correctly implemented; group leadership must be followed; responsibilities must be shared within the party and within the executive committees of various mass organizations; and a system of leadership must be executed in state management organizations and various economic organizations.

In its resolution of 31 July 1978, the Council of Ministers defined the rights, duties and responsibilities of the heads of all ministries and district and provincial administrative committees. The heads of all state organizations must fully exercise their rights as defined in the resolution so as to completely fulfill the tasks entrusted to them. They must be held fully responsible for this task before the party, state and people. They cannot put the blame on those under their supervision, nor can they involve the higher echelons in their mistakes. Guidance given by the higher echelons cannot be used as an excuse by heads of state organizations for the mistakes they commit in work under their areas of responsibility.

Management duties have been fully entrusted to the directors of enterprises running basic economic establishments such as companies, incorporated companies, agricultural cooperatives, forestry settlements and construction units. This is to insure the all-round success of duties and plans. The director of an enterprise must be held fully responsible before the party, state and people in this regard. Economic management apparatuses must be organized in accordance with the requirements for building the economic structure at the central, local and grassroots levels and in accordance with the new management methods.

Regarding the national defense and public security sphere, the management apparatuses must insure that the armed forces and public security forces are always prepared to smash all designs and tricks of the enemies both from inside and outside the country. In the foreign affairs sphere, the management apparatuses must insure the triumphant implementation of our foreign policy. In the cultural sphere, the management apparatuses must insure vigorous development of cultural activities, build new men step by step, and fruitfully serve the economy and national defense.

In building the organizations, importance must be attached to quality. The efficiency of the apparatuses must be guaranteed, as must the efficiency of production, work and fighting. All the apparatuses must resolutely turn to the grassroots levels by serving them and staying close to them. The apparatuses must resolve in a timely manner all the problems brought to their attention by the grassroots levels.

The building, organizing and assigning of cadres must begin from the requirements of the work to be done. Rectify the notion that authority must be consolidated in order to apply pressure on the grassroots, and change the notion that discipline is a failure when everything is disorganized. Weaker parts must be consolidated and strengthened, and the apparatuses must resolutely be made more simple. Dismantle unnecessary work branches and replace unqualified or incapable cadres. Encourage a sense of responsibility--both individual and collective, both moral and material. Insure strict discipline in implementing the resolutions, orders, plans and laws of the state. Strictly execute the duties and responsibilities of each organization, branch and level. Make rights and responsibilities compatible. Extensive rights must go along with extensive responsibilities. Guarantee that all resolutions are clear, and implement their careful and clear-cut organization. Try to avoid adopting many resolutions without implementing them. Reorganize the ranks of cadres in accordance with duties and the requirements of a situation. Vigorously strengthen the fundamental branches of the district and grassroots levels. Heighten the qualifications and capabilities of cadres and guarantee the strengthening of requirements in consolidating and rehabilitating organizations. Also, working systems must be modified and made progressive.

1. Consolidating, rehabilitating and strengthening economic foundations:

The economic foundations are the centers for production and business. They are where the three revolutions have been carried out. They actually show the people's right to collective mastership. They insure the unification of the interests of the individual, the collective and the entire society. Translate this system of mass collective mastership into reality by relying on the regulations and rules regarding organization and on the systems of managing enterprises and cooperatives. Adopt resolutions establishing state enterprises and appointing directors for enterprises and guarantee that the state enterprises are legal bodies. Also apply the system of balanced and profitable management in operating state enterprises.

Correctly implement the rules and regulations on establishing and managing agricultural cooperatives. If necessary, amend or readjust them based on the experiences of each period.

There must be clear-cut resolutions in setting up trading companies. Each company is a key planning unit as well as a key unit for maintaining equilibrium and making profit. There must be effective business models, methods and positions to do away with various complicated regulations and to resolutely oppose corruption, consolidation of authority, cheating and stealing. The various branches in various localities must increase guidance for their economic foundations, and must consolidate, rehabilitate and strengthen the management apparatuses of various enterprises and companies.

Administrations at the canton level have the duties of managing the work of the canton in all respects, reorganizing production, developing and expanding production, guiding organizations in collective production and individual peasant families in mapping out and implementing state plans, and paying attention to trade, communications, education, culture and public health so that the people's material and cultural lives can be improved.

Every canton must hasten to build and strengthen militia-guerrilla and public security forces, guide training and combat activities, facilitate combat activities, mobilize the people to serve the military sector in accordance with standardized principles and policies and insure the effective implementation of the rearline policy.

2. Consolidation and reconstruction of the local administration at various levels:

In advancing from small-scale to large-scale production, the building of the local, provincial and district economic structure is of strategic significance. It is in the provinces and districts that the reorganization of production and labor division must be carried out. Provinces and districts serve as the link between industry and agriculture and forestry. They must serve to guarantee people's requirements and fulfill obligations toward the rest of the country, and be the mainstay for organizing the people's right to collective mastery and to closely coordinate the economy with national defense.

The district and provincial administrations represent both the central administration and the local people. These two aspects of representation are illustrated in resolving various problems concerning production, fighting and the local people's daily lives. Through the local administration at various levels, the Council of Ministers has been closely associated with the masses, mobilized and managed the activities of the masses in national construction and defense and taken care of people's material and cultural lives. The Council of Ministers must hasten to classify the administrative levels and hand over authority to the local administration in accordance with each locality's role and duties.

The various provincial administrative committees represent the local people in exercising their right to collective mastery. They also represent the Council of Ministers in exercising the right of the people throughout the country to collective mastery in accordance with the principles of centralized democracy.

Local interests must conform with national interests. This is shown in the policies, regulations, plans and laws enforced by the state throughout the country. The provincial administrative committees must strictly respect and implement policies, regulations, plans and laws, and avoid localism and the selfish idea of caring only for the interests of the whole society. The provincial administrative committees must gradually turn districts into major industrial and agricultural units and strongholds for national defense and the maintenance of public security.

The administration at the district level is now playing a very important role. The Council of Ministers, various ministries and provincial administrative committees should adopt plans to transfer capable cadres to improve and strengthen districts. The administrations at the district level have not yet had their own plans and budgets. The provincial administration must formulate provincial budget plans and allocate funds to districts in accordance with each district's requirements. Steps must be taken to enable districts to formulate their own plans and budgets.

Each district must have a state shop serving as the central shop. It must have means of transport, markets, small industrial and handicraft foundations, schools, hospitals, an information and cultural office and branches of the national bank. A district administrative committee must be closely associated with basic establishments and promptly resolve problems raised by basic establishments. It must have cadres to help and guide the various cantons and must assist in training canton cadres so that they can work. District administrative committees must have plans and procedures for finding out the situation of the masses in the cantons whose administrations are still weak. District administrative committees must educate and train the masses, select outstanding people for training so that they can become the mainstay of their districts, and build, improve and strengthen administration at the canton level.

Each province is a strategic area in the economic, national defense, combat and logistics fields. In the economic field, each province has a plan to build the local economy and has its own budget. The Council of Ministers has already assigned the economic-management levels for the province. The rights, duties and responsibilities in managing the economy of the administrations at the provincial and district levels have already been clearly defined. The provincial administrative committee must study and correctly implement these rights, duties and responsibilities, and must advise and create conditions for the district administrative committee to correctly implement them. The specialized branches of the province must be under the all-round guidance of the provincial administrative committee and under the technical guidance of the ministry.

3. Consolidating, rehabilitating and strengthening all ministries:

The Council of Ministers has spelled out the rights, duties and responsibilities of various ministries by classifying them into ministries for general management and those for economic and technical management. All the ministries must conduct a detailed study and outline the regulations on their organization and activities for approval by the Council of Ministers. On the basis of these regulations they can define the rights, duties and responsibilities of each section in each ministry.

The minister must directly guide all specialized branches of the province and all companies and enterprises which are directly under the ministry by refraining from acting through various middle channels, that is, the various departments.

The departments will take up the staff role in assisting the minister in guiding the specialized sections of the province and the enterprises, companies and united companies of the central level. The department has no direct role in managing the enterprises.

It is the duty of the staff director of the ministry to organize the work schedule and serve the minister. He has no right to direct or control the routine work of various departments. This task will be the responsibility of the vice minister.

The minister only plays the role of managing the state and the various enterprises and companies of the central level he must refrain from interfering in the work of managing business and directly controlling labor, material equipment and finances of the various enterprises and companies. This task is directly undertaken by the directors of the concerned enterprises within the scope of the state plan, policies and management system under the supervision of the minister concerned.

At present, the primary duty of the minister is to manage the state through policies, work systems, plans, construction, education, inspection and supervision. In the economic management, the minister only manages the economy through various methods of state management, through large and highly technical enterprises as well as those enterprises operating with the cooperation of foreign countries; and lays preparatory groundwork for the 5-year plan, for example, by planning, surveying and launching programs; mapping out plans; and training cadres. Other economic foundations must be managed at the local level.

At present, these ministries are too large and complex. A plan must be adopted to simplify their organization and to select cadres to be stationed in various provinces and districts. More cadres should be trained and assigned to the ministries which remain weak.

4. Consolidating and rehabilitating the Council of Ministers:

The regulations and organization of the Council of Ministers and the working system which are now in effect must be fully implemented. The Office of the Council of Ministers must be thoroughly consolidated and rehabilitated to fully serve the guidance of the Standing Committee of the Council of Ministers and the premier. The organization of such communications means as postal service, telegraph service, telephone service, telex service, mail vehicles, passenger cars and planes must be stepped up in accordance with the guidance of the Council of Ministers. The post and telegraph work and organization must be consolidated throughout the country. A committee responsible for establishing economic relations with foreign countries must be set up under the Premier's Office. Committees in charge of labor and wages must be attached to the Premier's Office. A scientific and technical consultative council should be set up to advise the Council of Ministers and the premier on various problems regarding science and technology.

Beloved excellencies and comrades: We have fulfilled the 1978-79 state plan with the achievements worthy of **acclamation**. In implementing the state plans for rehabilitating and developing the economy and culture and building and transforming the national economy along the socialist path over the past 2 years, we have learned several excellent lessons. As a result, we have developed a firm belief in the socialist revolutionary line of our party and state. These lessons have enabled us to more clearly define the initial steps in bypassing capitalism to socialism and to adopt economic management apparatuses suitable to the special characteristics of the prevailing economic laws in our country.

We are entering 1980--the final year of the 1978-80 3-year state plan--at a time when the situations both at home and abroad are extremely favorable, when our party, administration and people have achieved political and ideological unification, and when the unity among the people of various nationalities in the country and the solidarity between our people and the peoples of Vietnam, Kampuchea, the USSR and the other socialist countries are consolidated each passing day.

Given our people's tradition of heroic fighting and hard work in building the country, and the leadership of the honorable and majestic LPRP, we will certainly be able to overcome all difficulties to fulfill the task of building and defending the country and to triumphantly fulfill the 1980 state plan as well as the 3-year state plan--from 1978 to 1980--thus creating favorable conditions for advancing to great victories in implementing the first 5-year plan, 1981-85.

On this occasion the Council of Ministers calls on all workers in factories, construction units, agricultural settlements, and forestry settlements to further enhance their right to collective mastership by working with technical skills, discipline and high efficiency to insure the fulfillment of the state plans beyond targets and with high quality.

Let our peasants of all nationalities promote the work movement to increase production, carry out intensive cultivation and increase efficiency aimed at developing agriculture in all respects.

Let all members of agricultural cooperatives further enhance their collective mastership by simultaneously carrying out the three revolutions aimed at vigorously promoting production and raising their collective material and cultural lives.

Let all cadres and combatants in the armed forces, the paramilitary forces and the public security forces further enhance the tradition of revolutionary heroism as well as the fine tradition of the Revolutionary Army, live closely with the masses, respect the right to collective mastership of the masses, closely coordinate the national defense forces and public security forces of the masses with the regular armed forces, maintain high vigilance, stand ready to smash all acts and designs of sabotage, and the psychological war and spying tactics of the enemies, and securely defend the independence and security of the country.

Let all cadres and employees in all state organizations, offices and enterprises further enhance their right to collective mastership, persist in studying and remodifying the working methods aimed at increasing the efficiency of their work, and insure the complete fulfillment of the plans, policies and programs of the state in 1980.

Let all intellectuals, learned persons, tribal chiefs, and clergymen further enhance their patriotism by contributing all their efforts and wisdom to building and defending the country.

Let all businessmen, industrialists, traders, construction contractors and transportation business operators further enhance their patriotism by actively contributing to operating businesses in the interests of production and social life.

Let all foreigners living in Laos unite with the Lao people by together making contributions to develop the Lao economy and culture.

Let our compatriots living abroad return to our country and contribute together with their compatriots at home to build and defend the country. The government is willing to provide every convenience to those compatriots who have emigrated to foreign countries, but who now want to return to their motherland.

Let the entire army and people of the Lao family of all nationalities further enhance our right to collective mastership by diligently and gallantly marching forward to fulfill our tasks in defending and safeguarding our country, promoting production movements, practicing thrift so as to insure the fulfillment of the task outlined in the seventh resolution of the party Central Committee and the 1980 plan for economic and cultural development, thereby creating brilliant achievements to welcome the two great historic days of our country this year.

Long live the honorable and majestic LPDR!

Long live the LPRP--the organizer and leader of all victories of the Lao revolution!

Thank you. [applause]

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